



2015

Corporate Social Responsibility Report



Cosel Co., Ltd

Report Policy

Cosel Co., Ltd. issued its first Environmental Report in 2000 and has disclosed our efforts for environmental conservation since then.

We have decided to issue this CSR Report from 2015 to inform our stakeholders not only of our environmental efforts, but also of our CSR (corporate social responsibility) efforts and communicate with them.

Cosel Co., Ltd. will strive to contribute to the realization of a sustainable society through our business activities and improve our reports so that they can fully serve as a tool to communicate with our stakeholders.

Reporting Period

May 21, 2014 – May 20, 2015

Reference Guidelines

ISO26000

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CSR Activity Report Based on ISO 26000

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Basis of Cosel's CSR: Management Philosophy "Responding to the Trust of society by Putting Quality as the Most Important Priority"

In accordance with our management philosophy "Responding to the Trust of society by Putting Quality as the Most Important Priority," Cosel has been conducting business activities to contribute to society through our "quality-first" approach to manufacturing and providing products and services.

When we use the word "quality," it refers not only to the safety or quality of a single product, but also to "changing quality" and "desired quality" required for the sustainability of society, which means any kind of quality. Cosel's attitude toward CSR is based on this management philosophy and has been handed down within the organization.

Basic activities to fulfill social responsibilities

Cosel has established a system and structure to thoroughly implement corporate governance, risk management, and compliance, the three fundamental elements in corporate management to fulfill social responsibilities. We aim to promote these activities not only within the Cosel Group, but also across our supply chain.

Efforts for environmental conservation

In accordance with our environmental policies, we actively promote activities to reduce the environmental burden generated from our business activities under the environmental management system. As a company that develops and manufactures electronic products, we believe we can help promote energy conservation for our customers and in a social system by developing and providing products that reduce power loss and save significant amounts of energy and by promoting environmentally-conscious efforts in our procurement and production activities, and thus contribute to the realization of a sustainable society. We consider our efforts for environmental conservation will contribute to the resolution of our business challenges.

We also believe that it is our mission and responsibility to pass our precious global environment on to the next generation in a healthy state.

Working toward technological innovation to create new values

The recent situations surrounding us have been changing enormously and we are facing various social problems and challenges. In addition, customer needs have become diversified due to globalization. That means the definition of "quality" in our management philosophy has changed and become diversified. We believe it is important to accurately grasp changing "quality" in a timely manner.

Cosel has set "Grasping needs from a customer's perspective and developing high-value added products and services" as the vision in the 7th mid-term management policy. This vision represents our aim to grasp the needs of customers and society and what they want to achieve at an early stage through communication and cooperation with them and create, co-create, and realize new values for the future.

We will work hard on innovation in technology and manufacturing that are required to this end and promote the development of value-added products and services by taking advantage of such innovation.

The development of a workplace where each employee can play a role and the cultivation of human resources

The basis of manufacturing is the cultivation of human resources, and human resources serve as the backbone of our business activities and CSR activities. We believe it is important not only to strengthen expertise such as techniques, abilities, and management skills, but also to improve human qualities such as sense of ethics, humility and sensitivity. We'd like to be a company that values communication and teamwork.

In order to be a company where each employee develops their skills through hands-on training and grows further by utilizing their own skills, we will strive to develop such a culture and environment for the cultivation of human resources and continue to grow as a company.

谷川正人

Masato Tanikawa
President & Chief Executive Officer
Cosel Co., Ltd. President



Management Philosophy

Based on our management philosophy, Cosel works hard to improve our corporate culture continuously by utilizing the idea and techniques of total quality management (TQM).

In increasingly competitive electronics markets such as the switching power supply market, we strive to display our presence and competitive advantage while clearly presenting a unique vision and meet the expectations of society by providing attractive technologies and products of higher quality.

Management Philosophy

Responding to the Trust of Society by Putting Quality as the Most Important Priority

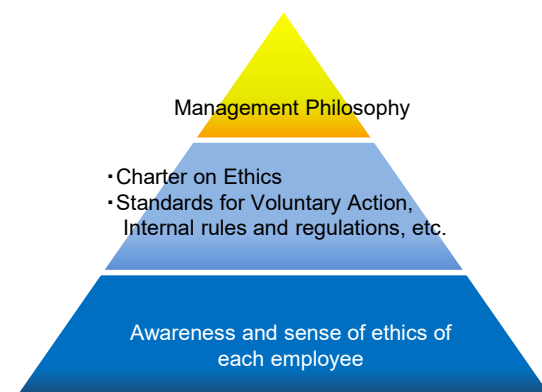


Charter on Ethics and Standards for Voluntary Action

The Charter on Ethics and Standards for Voluntary Action have been established so that all executive officers and employees of the Cosel Group become deeply aware of their social responsibilities, completely comply with applicable laws and regulations in all of our business activities, and act in accordance with social ethics in order to realize our management philosophy.

Charter on Ethics

- (1) Compliance with laws and social norms
Comply with laws, social norms, common sense, and rules, as well as the spirit thereof, in addition to internal rules and regulations such as this charter in all business activities, and ensure that the Cosel Group's business activities are conducted properly in a manner that complies with social ethics.
- (2) Contribution to society
Make efforts to provide world-leading products and services that meet market needs and contribute to society by doing so.
- (3) Respect for human rights
Respect the basic human rights of all and never commit any act of discrimination or any act that violates the dignity of individuals.
- (4) Information disclosure
Disclose information properly and conduct fair, just, and transparent business activities.
- (5) Environmental conservation
Conduct business activities in consideration of the environment and safety in order to co-exist with nature and protect the global environment and natural resources.



Standards for Voluntary Action

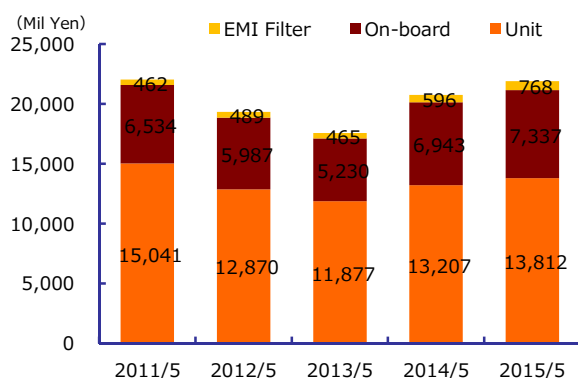
- (1) Sincere response to customers
We will value the opinions of customers and utilize them in all business activities including product development.
- (2) Quality first
We will continue our efforts to provide the best quality products and services that satisfy our customers.
- (3) Product labels, explanations, and ads
We will provide our customers with accurate knowledge on the use of our products and give them a sense of security and satisfaction.
- (4) Fair and just transactions
We will conduct fair and just transactions such as procurement and sales.
- (5) Relationship with anti-social forces
We will never form a relationship with any anti-social forces or groups that pose a threat to the order and safety of civil society.
- (6) Timely information disclosure
We will disclose proper information to our shareholders, investors, and customers in a timely manner so that they can correctly understand the financial health and general business activities of Cosel and the Cosel Group.
- (7) Prohibition of insider trading
We will never conduct stock transactions that fall under insider trading or might be suspected as insider trading.
- (8) Confidentiality
We will never leak confidential information without good reason.
- (9) Protection of company property
We will take good care of all company properties that create corporate value and never commit any act that would damage them.
- (10) Protection of intellectual property
We will work hard to protect our intellectual properties and take all possible measures not to violate the intellectual property rights of others.
- (11) Responsible performance of duties
We will perform our duties responsibly in accordance with laws and internal rules and regulations.
- (12) Distinction between private and public matters
We will clearly distinguish corporate roles from private roles and never confuse corporate interests with personal interests.
- (13) Maintenance of a healthy and safe workplace
We will comply with laws and internal rules and regulations concerning a safe and healthy workplace and work hard to create such a work environment.
- (14) Respect for human rights
We will respect human rights and work hard to create a workplace free of discrimination against sex, age, place of origin, race, belief, religion, disease, or disability.
- (15) Prohibition of sexual harassment
We will never commit sexual harassment in any way.
- (16) Prohibition of power harassment
We will never engage in any behavior outside the proper scope of business that slanders the personality or violates the dignity of the person or commit harassment by taking advantage of a superior position of power.
- (17) Privacy protection
We will respect personal information to the maximum extent and never infringe, misappropriate or disclose such information falsely.
- (18) Overseas operations
We will respect local laws, customs, and cultures while conducting our business activities overseas.
- (19) Environmentally-conscious business activities
We will comply with environmental laws and internal environmental rules and reduce adverse environmental impact in all business activities to conserve the global environment.
- (20) Contribution to society
As a good corporate citizen, each of us will strive to contribute to the realization of a good society.
- (21) Political involvement
We will take a neutral stance to politicians and political groups and never provide any improper benefits or favors to them.

Company Overview

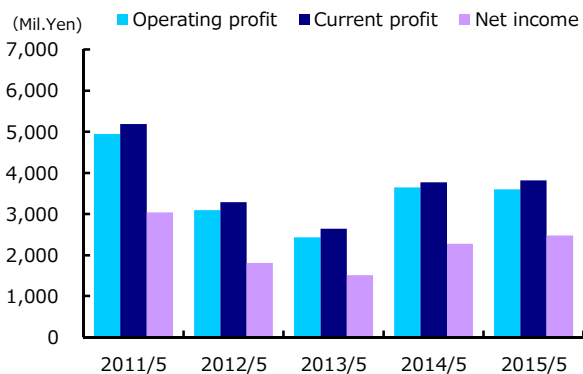
■ Trade Name	: COSEL CO.,LTD.
■ Headquarters	: 1-6-43 Kamiakae-machi, Toyama City, Toyama Prefecture, 930-0816 Japan
■ Business	: Manufacturing and Sales of Electric Devices and Electrical Machine Equipment
■ Main Products	: Regulated Power Supplies (such as Switch Mode Power Supplies)
■ Representative	: Masato Tanikawa
■ Date of Establishment	: July 26, 1969
■ Paid-in Capital	: 2,055 Million Yen (As of May 20, 2015)
■ Annual Sales	: 20,500 Million Yen (As of May 20, 2015)
■ Number of Employees	: 420 (Non-consolidated basis as of May 20, 2015)
■ Affiliates	: Taiyoudenshikougyou Co., Ltd. (Tsukioka-machi, Toyama City, Toyama Prefecture) COSEL U.S.A.INC. (San Jose, USA) COSEL EUROPE GmbH (Frankfurt, Germany) COSEL ASIA LTD.(Hong Kong, China) COSEL (Shanghai) Electronics, Co., Ltd. Wuxi Cosel Electronics Co., Ltd. Shanghai Cosel International Trading Co., Ltd.

Financial Information (Consolidated)

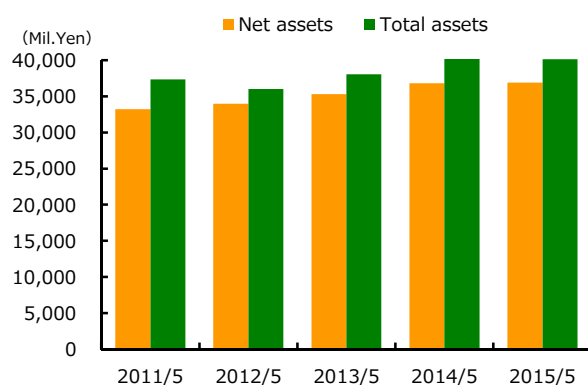
Sales



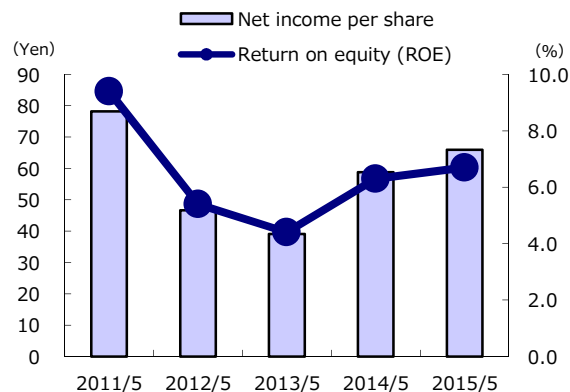
Operating profit/Current profit/Net income



Net asset/Total asset



Net income per share/Return on equity



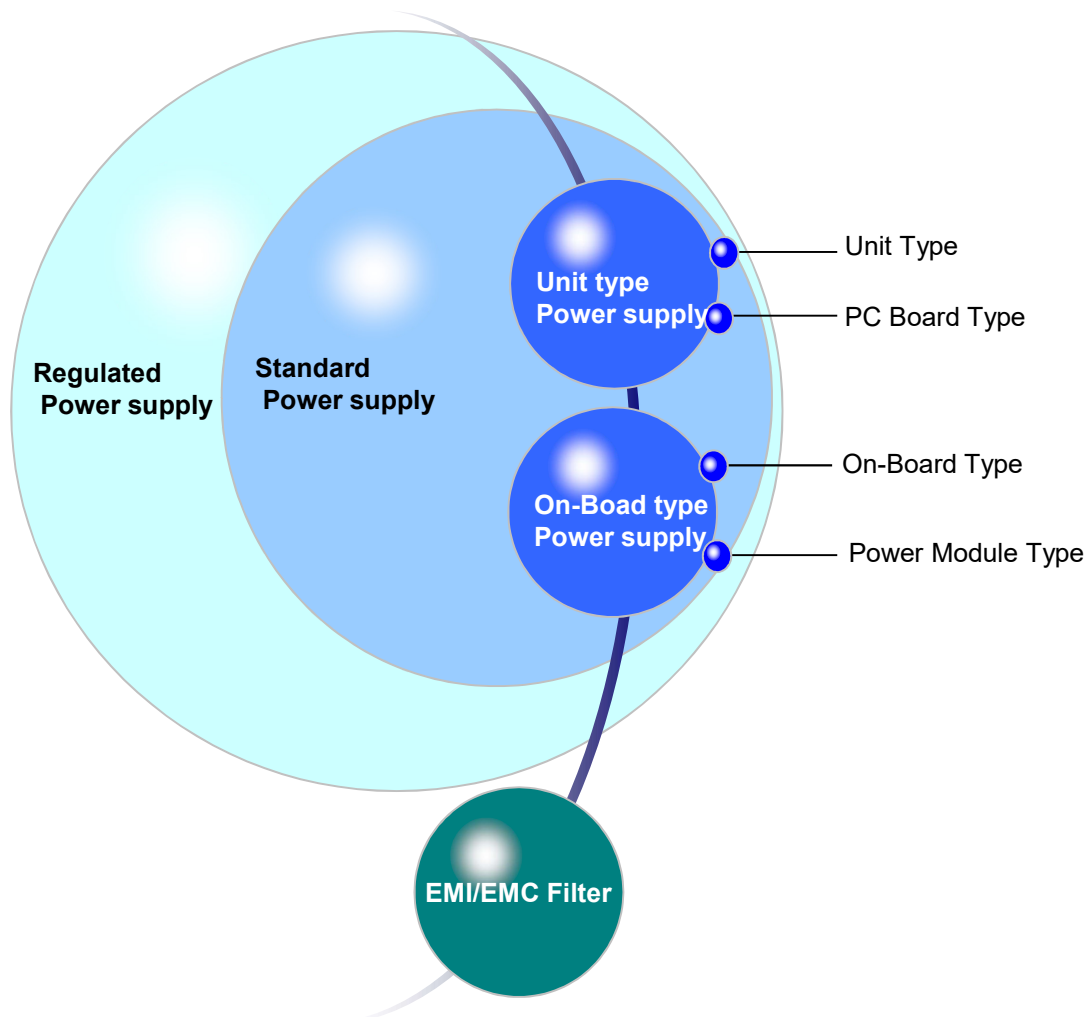
Business Outline

Many electric components including semiconductor devices are used in electronics products such as industrial and commercial equipment. For this equipment to operate, electrical power delivered to factories and households needs to be converted from alternating current (AC) to direct current (DC). Our regulated DC power supplies make this possible.

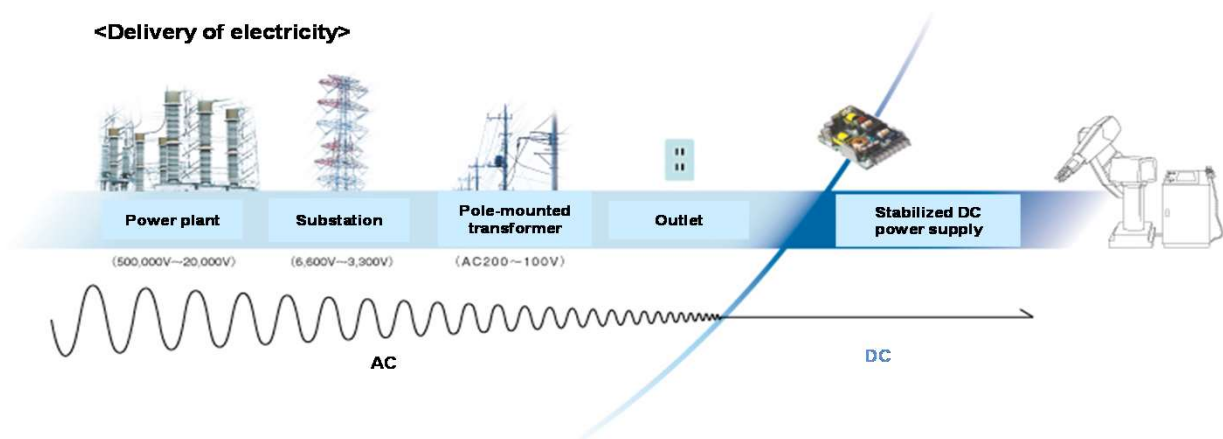
In particular, switch mode power supplies are our main products. They are used in many electric devices such as information systems, telecommunications, medical and FA equipment because they are compact, light weight and highly efficient.

We can say that switch mode power supplies are the hearts of this equipment and hold a key to the future of the electronics era.

Through never-ending dialogue with new technologies, we have been developing reliable products that will help build the future of electronics.



<Delivery of electricity>



Basic attitude toward quality

Cosel has set the quality policy “Creating Products and Services that Earn the Trust of Customers” based on our management philosophy (organizational goal) “Responding to the Trust of Society by Putting Quality as the Most Important Priority.”

We believe the basis of quality assurance activities to be the reliability of products and the provision of a sense of security to customers, which form the foundation of the trust of society including customers.

Cosel will strive to continuously improve quality at all stages from product planning and development to production, sales, and service in order to provide our customers with attractive products and services that win their trust and make them feel secure and satisfied.

Development of the quality assurance system

We have developed our quality management system (QMS) in accordance with the requirements of ISO9001, the international quality management standard, and are working hard to monitor and improve each process.

We strive to promote quality assurance activities at all stages from the beginning of manufacturing to the time when customers finish using products in order to provide them with products that satisfy them. Specifically, we are pursuing customer satisfaction focusing on every stage of our business activities; product planning, product development, manufacturing, sales, and customer care.

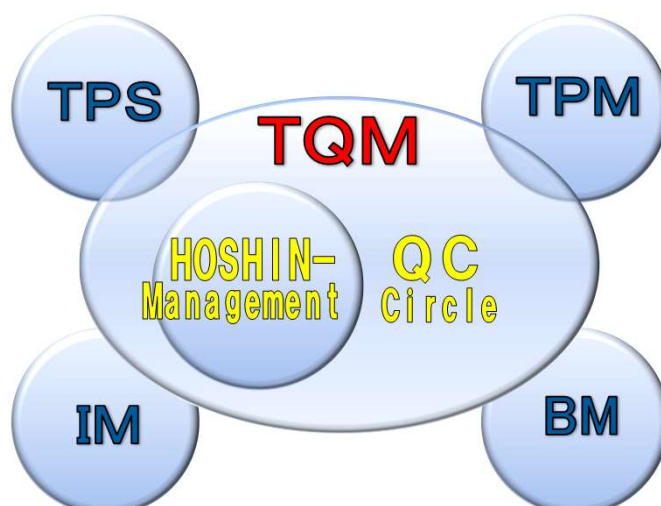
Utilizing valuable customer feedback, we correctly grasp customer needs and plan products. At the product development stage, we test product quality utilizing indexes such as function, performance, and environment and design products that customers can use with peace of mind. We also value quality at the product planning stage and work hard to prevent potential defects by conducting expert design reviews and utilizing methods such as FMEA and DRBFM.

At the production stage, we perform thorough quality control and ship products that have passed quality inspections.

We employ a system that enables us to trace the components used in the shipped products and the arrival dates of the components from bar codes, and are well-prepared to swiftly narrow the list down in case abnormalities occur.

As part of customer care service, we provide technical support services by toll-free phone and contact form on the website, and our dedicated support staff members do their best to respond to inquiries from our customers quickly and accurately.

We all strive as one to conduct our business in order to keep providing our customers with attractive products and services that win their trust and make them feel secure and satisfied.



With Our Shareholders and Investors

Holding an annual general meeting of stockholders

Cosel holds its annual general meeting of shareholders at the Toyama Chamber of Commerce and Industry in mid-August every year. 72 people attended the meeting in 2014. At the meeting, shareholders asked us a lot of questions. We deeply communicated with each other, helping them understand Cosel further.

At every meeting, we conduct a questionnaire to collect opinions and requests on matters widely ranging from the contents of presentations to our management. We strive to apply what we learn from the questionnaires to the future.



Enhancement of information provision tools

Cosel has an “Investor Relations” page on the website to provide our shareholders and investors with information in a prompt, fair manner. On the website, we provide various kinds of information with easily accessible: business descriptions, an outline of performance, business strategies, financial information, and account settlements, etc.

As we redesigned our website (English version will be available later) in September 2015, it now contains more detailed information and is much easier to use.



Partnership with clients

We strive to build a transparent relationship of mutual trust that enables us to thrive and prosper together with our clients from a fair, global perspective in compliance with laws and social norms. We believe it is important for us to improve our partnerships with our clients by maintaining and strengthening such relationships.



Green procurement in the supply chain

Our products are made of many substances and should never contain substances that have a negative effect on the earth and humans when or after being disposed of at the end of a product's life, not to mention those that customers actually hold in their hands.

We are working hard on green procurement in cooperation with many companies constituting our supply chain as it is difficult for Cosel to achieve such a goal alone.



Regional contribution activities

Cosel's Standards for Voluntary Action sets forth one of our responsibilities, "as a good corporate citizen, each of us will strive to contribute to the realization of a good society."

We value interactions and communications with the local community and work hard to contribute to and get involved in their development.

Examples of our activities are shown below.

[Education] Participation in the planning of the JEITA Toyama Monozukuri Class targeted at elementary school students in the region

[Support for sports activity] Joint hosting of "Cosel Cup Challenge Super Kids" with a local broadcasting station

[Internship] Students are able to deepen their understanding of the working world, companies, and society and develop a grounding as a member of society through working experience.

[Blood donation] Donation of employees' blood to Japan to support the Japanese Red Cross Society Blood Center

[Fund-raising] Donation of the proceeds from a company bazaar and the money collected from employees to the Community Chest of Toyama

We conduct such activities every year.



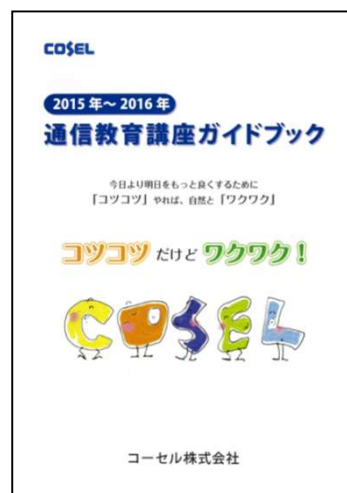
With Our Employees

Human resource development

In accordance with our educational philosophy “Employees are the most important asset of the company and human resource development is the engine for business development,” we actively and smoothly implement the training and development of human resources and give them opportunities to challenge each other and develop their personality and skills.

We plan and provide various internal and external educational programs as well as training to cultivate job skills and have a reward system for those who have acquired qualifications.

We also provide all employees with the “Guidebook for Correspondence Courses” every year and encourage them to take the courses.



To create a workplace where employees can have a worthwhile job

In consideration of the safety, hygiene and healthcare of our employees, we are working hard to promote their work-life balance by supporting employees with child care and nursing care responsibilities so that they can consider a balance between work and personal life and lead a more fulfilling life. In addition, we aim to create a workplace where employees can try anything and achieve a fulfilling work environment.

To this end, we conduct safety and health patrols, hold health consultation events with an industrial physician, offer a well-established leave system (promotion of the use of annual paid leave, refreshment leave, healthcare/volunteer leave, maternity leave before or after childbirth, short-time working system for child care, family care leave, etc.), promote club activities, and employ a reward system.

We will work hard to provide our employees with a better workplace and make improvements so that Cosel and its employees can grow together.



The Environment

Environmental Policies

We set Environmental Policy that represent our basic attitudes toward the environment and share them across the organization. We show our approach to environmental problems to society and promote our efforts toward the realization of a sustainable society.

Environmental Policy

Environmental Principle

Harmonize production and product development with the environment, endeavor to maintain and improve the global environment and thereby contribute to the society

Action Guideline

The following action guidelines are set to embody our environmental principles.

- (1) Offer environmentally friendly products.
- (2) Avoid unnecessary consumption of resources and promote reuse of waste.
- (3) Reduce and eliminate the use of environmentally unfriendly chemicals and endeavor to improve the global environment.
- (4) Set and review goals and objectivities to control our activities, work for continuous improvement and prevent contamination.
- (5) Comply with national and local environmental regulations and align with the needs of customers and local communities.
- (6) Enlighten employees about environmental preservation including biodiversity conservation through environmental of all employees.

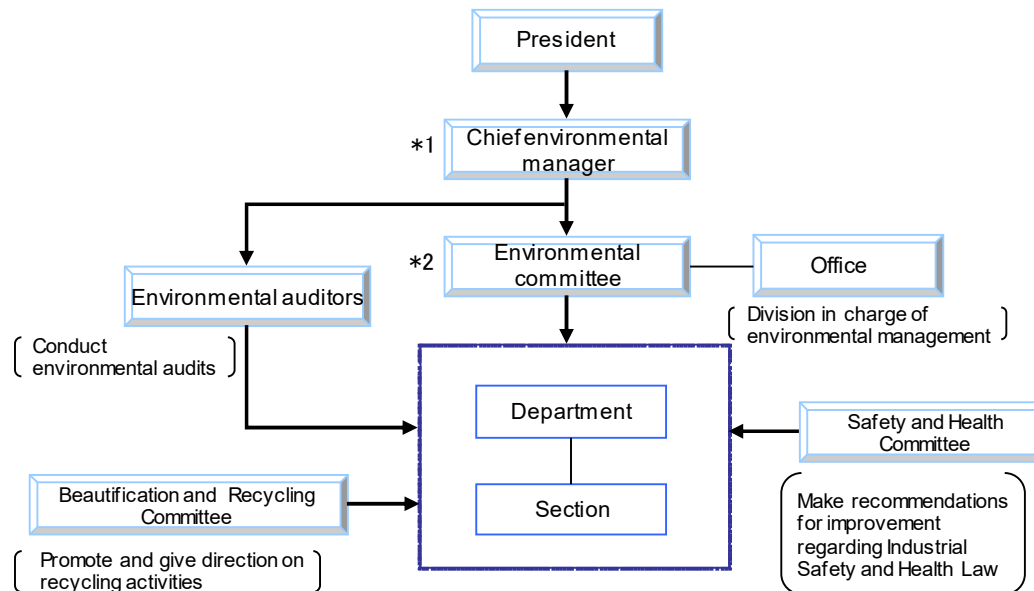
This environmental policies are made public.

Enacted on May 21, 1999
Revised on July 24, 2012
Masato Tanikawa
CEO
Cosel, Co., Ltd.

Environmental Management System

Environmental Management Structure

We have the environmental management structure to conduct efficient environmental controls.

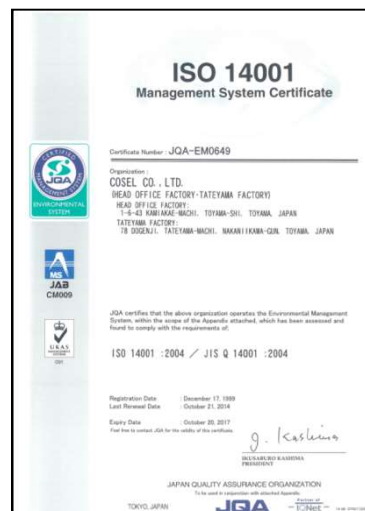


*1 Chief environmental manager = Chairman of Environmental Committee

*2 Made up of the heads of major departments

ISO14001 Certificate

In order to become a company that is trusted by stakeholders, we have acquired ISO14001 certification at our Head Office Plant and Tateyama Plant and are continuously promoting improvement activities.



- Date of Acquisition:
December 17, 1999
- Area Covered:
Head Office and Plant/Tateyama Plant
- Registered by:
Japan Quality Assurance Organization

Internal Environmental Audit

We conduct an internal environmental audit every year to confirm our compliance with ISO14001 and the status of implementation and performance.

Each auditor reports audit results including findings for improvement to each department manager. Each department reviews their activities and engages in continuous improvement activities.

Environmental Consideration in Product Development

Development of highly-efficient small-sized power supplies

When we develop new products, we conduct an environmental assessment from the perspectives of resource saving, energy-saving, recyclability, the use or non-use of toxic substances and the environmental friendliness of packing materials. We promote efforts to develop more environmentally-friendly products.



Middle range power supply with compact size and low loss; PLA15/30/50F

Point 1

Help customers make their devices smaller. Smaller by 17% in depth!



PLA50F

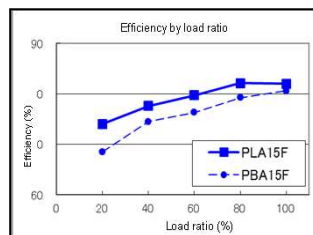
Resource saving

17% smaller

Compared with our existing product PBA50F

Point 2

Focusing on output voltage lineups desired by many customers. Lower loss!



Energy saving

The efficiency of the 15W model is higher by 1 to 5% over the whole range

Compared with our existing product PBA50F



High-efficiency product having a reduced mounting area TUNS500F

Point 1

Reduced mounting area



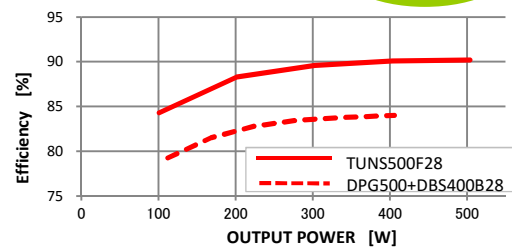
Resource saving

Two modules were needed previously. However, with the TUNS series, customers need just one module.

Point 2

High efficiency

Energy saving



Small size and higher efficiency!



Small-sized, highly-efficient power module CHS60

Point 1

Reduced mounting area

Mounting area: Decreased by approx. 33% compared with CES



Existing product CES



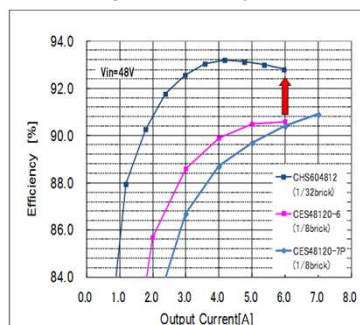
CHS60

Resource saving

Point 2

High efficiency

Energy saving



Efficiency: Increased by approx. 2% compared with CES

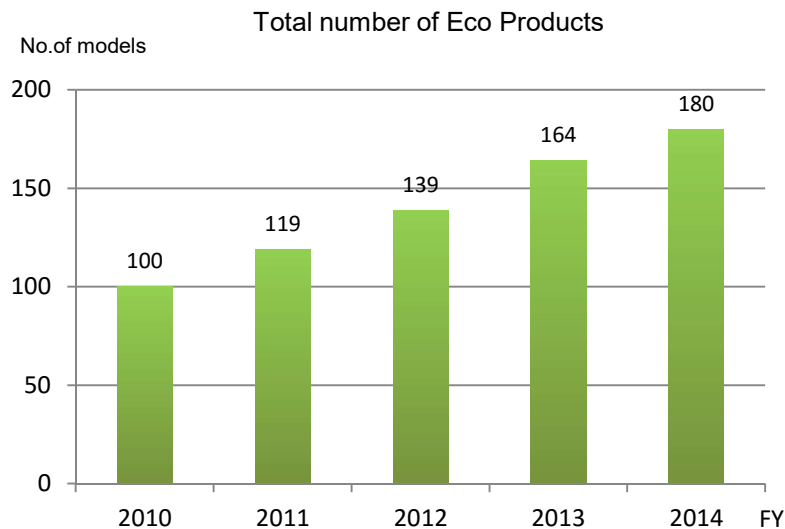
Environmentally-friendly eco products and their symbol

In 2010, we developed a new internal environmental assessment system in order to promote the development of environmentally-friendly products and actively provide our customers with environmental information on our products. We evaluate our products based on the following 3 items to reduce their environmental burden.

- (1) Environmental burdens generated when our products are operated at customers' sites
- (2) Environmental burdens generated when our products are manufactured at our plants
- (3) Environmental burdens generated when materials and components we purchase are manufactured

Based on these 3 items, we set our own criteria to certify and register products that satisfy the criteria and are highly effective in reducing their environmental burden as "Eco Products."

To promote Eco Products, we developed the following symbol that represents Eco Products.



Symbol of Cosel's Eco Products

We will actively expand our Eco Products to create an environmentally-friendly, recycling-oriented, low-carbon society and to continue to grow with our customers.

Environmental Consideration in Component Procurement

Control of environmentally-unfriendly chemicals

Since Agenda 21, an action plan that includes “Environmentally-sound management of toxic chemicals, including the prevention of illegal international traffic in toxic and dangerous products,” was adopted at the UN Conference on Environment and Development (UNCED) in 1992, stricter regulations relating to toxic substances including the EU REACH framework and the EU RoHS Directive have been developed at home and abroad and environmentally-friendly products have been in demand.

At Cosel, we have established the “Green Procurement Standards” on products and activities at plants that specify “prohibited substances” and “controlled substances.” By using them as terms of business with our clients as well as an internal rule, we are working hard on the control of environmentally-unfriendly chemicals to make our customers feel safe.

Management of new components, new products, and mass-produced products

Since 2006, we have been conducting X-ray fluorescence analysis (*) by target measurement parts to prevent the entry of environmentally-unfriendly chemicals into our products. X-ray fluorescence analysis allows us to confirm and verify compliance with the “RoHS Directive.”

■ Adoption of new components and launch of new products

In the past we conducted “Quality Evaluation” to prevent the use of defective components. However, we decided to conduct X-ray fluorescence analysis on components at a mass production level to check for the presence of environmentally-unfriendly chemicals in newly adopted components.

The results are compared with the data of environmentally-unfriendly chemicals submitted by suppliers before components are officially registered.

■ Acceptance of purchased components

We also conduct X-ray fluorescence analysis at a frequency depending on the risk rank when we receive purchased components to check whether they contain environmentally-unfriendly chemicals.



X-ray fluorescence spectrometer

X-ray fluorescence analysis (*)

X-ray fluorescence analysis is an analysis method in which atoms constituting a molecule are irradiated with X-rays and the atoms that are present in the sample can be detected based on the characteristic wavelength and the energy intensity of the X-rays emitted from them.

Education on management of environmentally-unfriendly chemicals

Since 2006, we have carried out education on the management of environmentally-unfriendly chemicals.

The program is intended for people working for Cosel at our Head Office Plant/Tateyama Plant and at our contract manufacturers, logistics contractors, and repair contractors.

Using training material developed by the division in charge of environmental management, training sessions are held by departments and tests were given to participants to check their understanding. This enables them to deepen their understanding of the objectives and the importance of managing environmentally-unfriendly chemicals as well as the efforts made by Cosel.

Compliance with RoHS Directive and REACH

The RoHS Directive came into effect on July 1, 2006 (*1). It restricts the use of six substances that negatively impact the human body and the environment (mercury, lead, cadmium, hexavalent chromium, PBB, PBDE.)

The Directive was revised on January 3, 2013. In the new Directive (2011/65/EU), the restricted substances and their tolerated maximum concentration values remain the same. However, the number of product categories was increased and the CE marking requirements were added.

Cosel reduced the content of these six substances in our products to the levels specified by the RoHS Directive in February 2006 and started to display CE-mark on our products complied with the RoHS Directive in June 2015 (*2).

REACH requires all companies manufacturing or importing chemical substances within the European Union in quantities of one ton or more per year to register these substances with the European Chemicals Agency (ECHA) in its database.

Failure to register means the substance cannot be manufactured or imported.

As new substances are added to REACH's list of Substances of Very High Concern (SVHC) every 6 months, we expect our suppliers to quickly inform us of the latest information on contained substances.

On our web site, we disclose the information about the compliance with RoHS Directive and REACH SVHCs content information in our products. Specifically, we provide "Certificates of Non-Use of RoHS Substances" and "AIS data," which is the tool JAMP(*3) created. This enables customers using our products to obtain the information of chemical substances contained in our products promptly and efficiently.

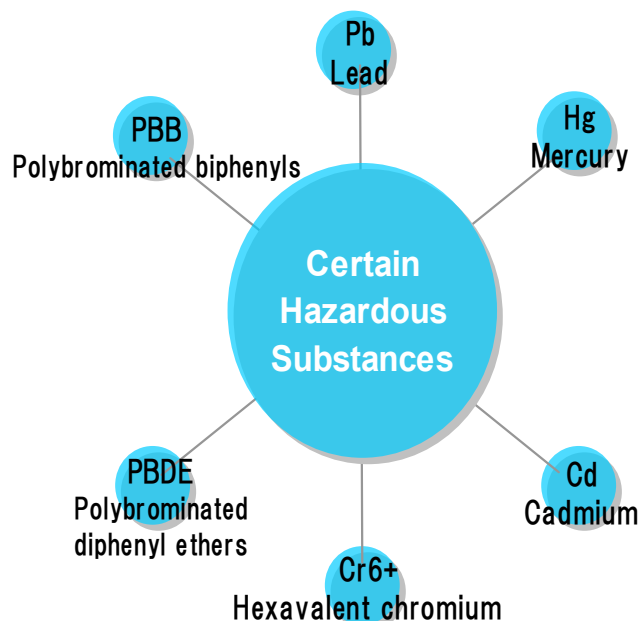
(*1) What is RoHS Directive?

RoHS Directive is an EU directive that restricts the use of certain hazardous materials in electrical and electric equipment. The use of six substances, mercury, cadmium, lead, hexavalent chromium, polybrominated biphenyl (PBB), and polybrominated diphenyl ether (PBDE) have been prohibited since July 2006.

(*2) Products that will be out of production are excluded.

RoHS compliant products are marked with the letter "R" at the end of their lot numbers (some products have the letter "R" in the upper right of the label.)

(*3) JAMP stands for Joint Article Management Promotion-consortium



Environmental Consideration in Manufacturing

Reduction of environmental burden at production sites

In-house development of automatic soldering equipment

We have developed compact soldering devices in-house to reduce the assembly cost by half and are now improving them. Compared with the conventional soldering tank, cost, MT (machining time) and installation area are reduced by 24-57%.

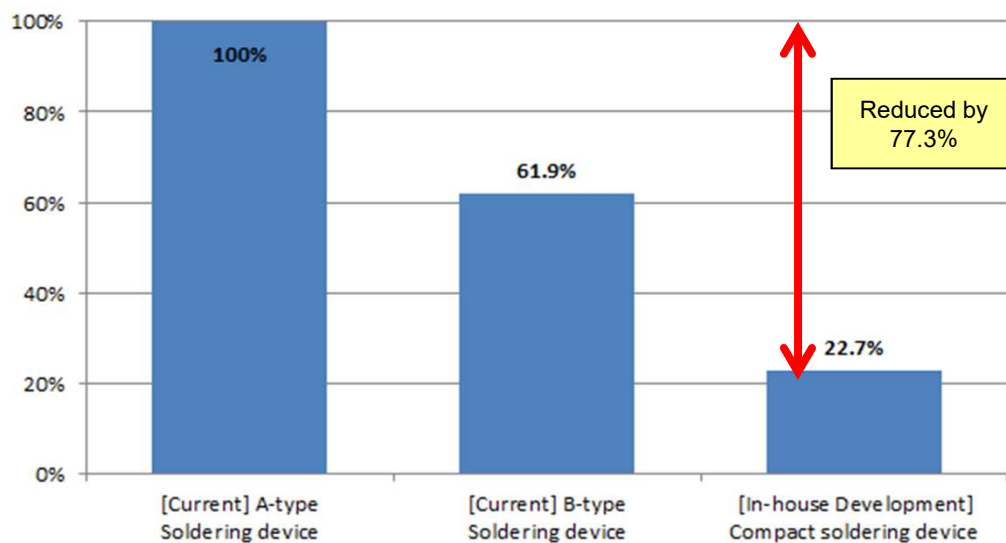
Item	Soldering bath (Current)	Compact soldering bath	Reduced ratio
Cost	100 (index)	49(index)	51%
MT	120(Sec)	52(Sec)	57%
Area	1,885(m ²)	1,425(m ²)	24%

Comparison with Current Soldering Bath



Compact soldering device

Comparison of power usage with current soldering baths
(Compared with A type soldering device)



Discrimination and separation of jigs and tools

At production sites, RoHS compliant products and RoHS non-compliant products are produced on separate lines in principle. Devices, jigs, and tools are dedicated respectively for the each production lines.



Label of lead-free solder



Label of eutectic solder

Equipment, jigs and tools used in the soldering process are distinguished by the labels or marks shown in the pictures.



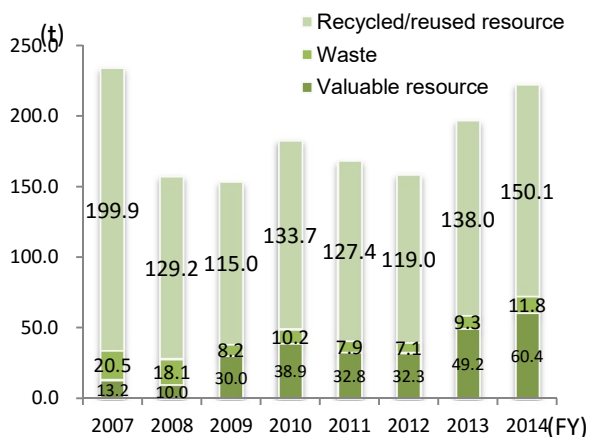
It says, "Lead-free solder only!"

Mark on soldering bath

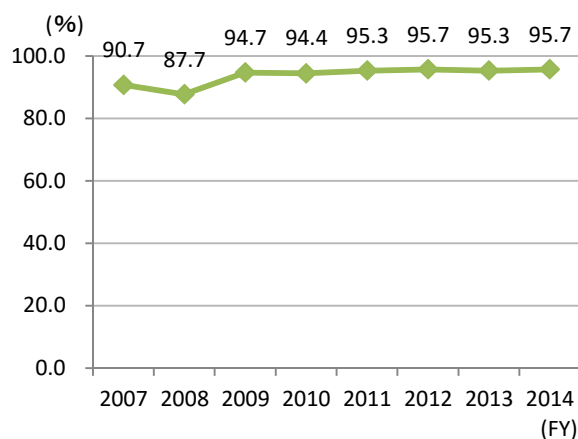
Efforts for Effective Use of Resources

Promotion of 3R (Reduce, Reuse, Recycle) activities

We are promoting and working hard on 3R activities from the perspectives of the reduction of environmental burden and the effective use of resources. In 2014, we set the goal of having a recycling rate of over 95%, and achieved a 95.7% recycling rate. We will keep working hard on the reduction, recycling, and separation of waste.



Discharge amount



Recycling rate

Examples of our efforts

■Reduce:

Air cap bags were used to send certain components to our contract manufacturers. They were disposed of as industrial waste after being unpacked.

We reduced the amount of waste by using reusable returnable containers as a new packing material.



Air cap bag



■Reuse:

Chip components are wound on plastic reels and shipped from suppliers to us. Empty reels were disposed of after use as stabilized-type industrial waste. Because they do not become deformed, stained or damaged after use, they are now collected and reused by suppliers.



■Recycle:

Defective products that cannot be shipped as products and substrates that were cut off in the production process were disposed of as industrial waste. Now we separate them into metals, plastics, etc., before disposal so that they can be used to cast ingots or serve as a combustion improver in furnaces.

We regularly check the status of separation to raise employees' awareness of waste separation.

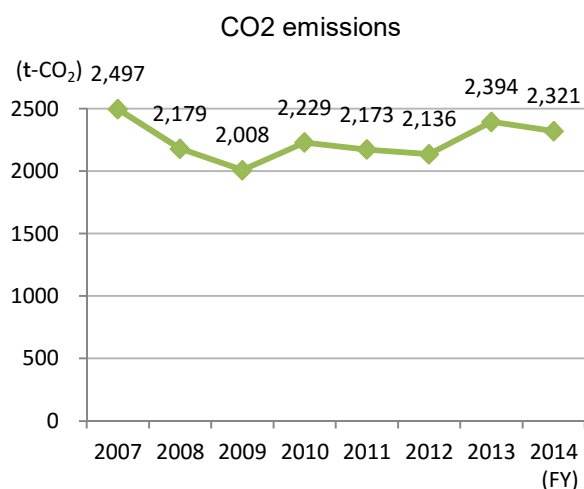


Efforts to Prevent Global Warming

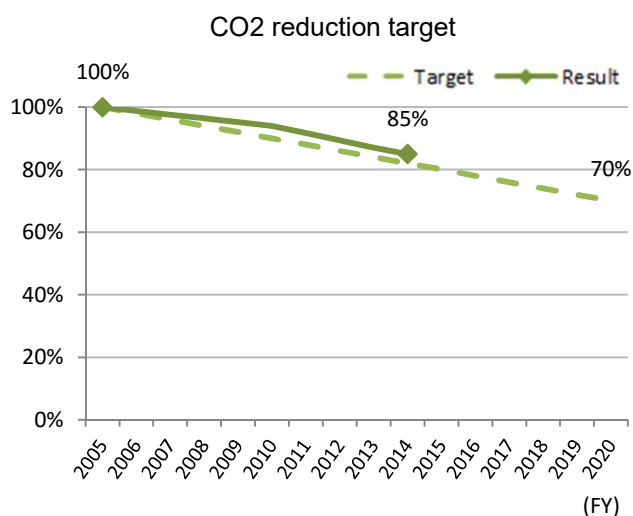
Promotion of energy saving

We have been consuming a large amount of energy power. In order to reduce power consumption, we are conducting energy saving activities. Since the establishment of the company, all the fluorescent lamps at our plants and offices have had pull switches and we have been making sure that the lights are turned off during breaks and when not in use to reduce the amount of power consumed. Today we utilize a power monitoring system we have established to call employees' attention by releasing power usage data by area on the Intranet.

In addition, we set the goal of reducing CO2 emissions by 30% in 2020 compared with 2005. We will further promote our efforts for energy saving and global warming prevention by developing Eco Products and implementing measures to reduce energy consumption.



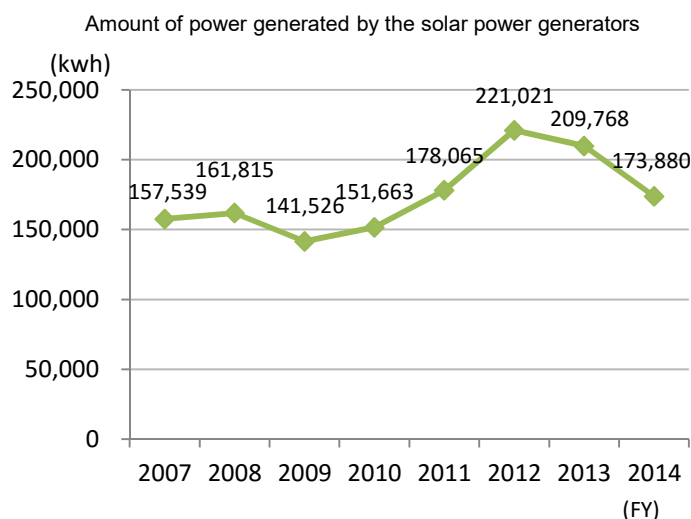
*CO2 emissions in manufacturing



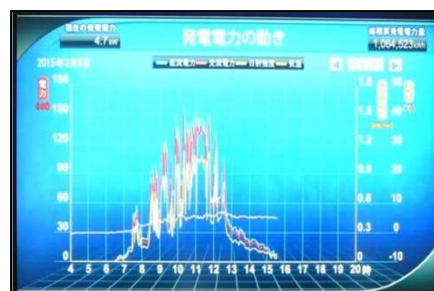
Use of renewable energy

In 2002, a 60kw solar power generator was installed on the rooftop of the new Head Office building. It generated approx. 60,000kwh per year (reduced CO2 emissions by approx. 25 tons.) A 50kw solar power generator was installed on the rooftop of the Tateyama Plant in 2004 and two more generators were added in 2007 and 2011. They generate approx. 200,000 kwh per year (reduce CO2 emissions by approx. 88 tons.)

We also have installed a power generation display monitor in-house so that employees can check the amount of power generation anytime.



Tateyama Plant solar power generator



Tateyama Plant power generation display monitor

Environmental Goals and Targets

Achievement status of 2014 environmental goals and targets

The achievement status of 2014 environmental goals and targets is shown in the table below.
We achieved the targets for the “reduction of power usage” and the recycling rate for the “reduction of industrial waste.” However, we couldn’t reach the target for the amount of waste per sales for the “reduction of industrial waste.”

[Evaluation] ○: Target achieved ×: Not achieved

Achievement status of 2014 environmental goals and targets

No.	Goal	Control item	Target	Result	Evaluation
1	Reduction of power usage	CO2 emissions from power usage per sales	0.101t/million yen or less	0.095t/million yen	○
2	Reduction of industrial waste	Amount of waste per sales	0.40kg/million yen or less	0.47kg/million yen	×
		Recycling rate	95.0% or more	95.7 %	○

2015 environmental goals and targets

2015 environmental goals and targets are shown in the table below.
The progress of each item will be reviewed at the Environmental Committee that is held every other month.

2015 environmental goals and targets

No.	Goal	Control item	Target
1	Reduction of power usage (F emissions)	CO2 emissions from power usage per total power of shipped products	2.717[kg-CO2/kw] or less
2	Reduction of industrial waste	Amount of waste per total power of shipped products	0.0114[kg/kw] or less
		Recycling rate	96.0% or more
3	Compliance with laws and regulations(Compliance with Act for Rationalized Use and Proper Management of Fluorocarbons)	Implementation of simple inspections and regular inspections	100% implementation
4	Contribution to CO2 emissions reduction by launching Eco Products in the market (U emissions)	No. of developed models of Eco Products	34 models or more
5	Raising of environmental awareness	No. of employees who have passed the Eco Test	80 in total or more

Environmental Accounting

FY 2014 environmental accounting

There were no investments in 2014.

The economic benefits of the reduction of power usage by solar power generation, recovery of valuable resources from waste, and proceeds from sales of valuable resources became approx.12 million yen.

*Calculated based on the "Environmental Accounting Guidelines 2005" by the Ministry of the Environment.

Environmental conservation costs

(Covered area: Head Office Plant/Tateyama Plant
Unit: ¥ thousand)

Category	Description	Investment	Cost
(1) Cost within business area Environmental conservation costs to reduce the environmental burden generated from production/service activities within business activities.			
i. Pollution prevention cost		0	0
ii. Global environment conservation cost		0	9,216
iii. Resource circulation cost		0	2,159
(2) Upstream/downstream cost Cost to reduce the environmental burden generated upstream or downstream in association with production/service activities.	(Cost) Promotion of green procurement Control of environmentally-unfriendly chemicals	0	43,861
(3) Management cost Environmental conservation costs in management activities	(Cost) Maintenance of environmental management systems 1) Monitoring and measurement of data from equipment and facilities that generate an environmental burden. 2) Response to the survey of content of environmentally-unfriendly chemicals	0	15,608
(4) R&D cost Environmental conservation costs in R&D activities		0	0
Total		0	70,844

*Environmental conservation costs include depreciation costs of capital investment of the previous year and labor costs.

Environmental conservation effect (volume)

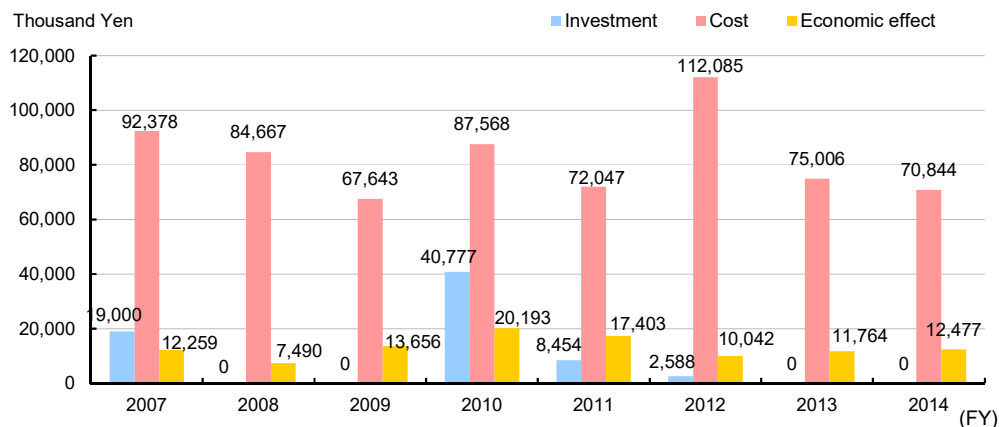
Item	Effect (volume)
CO2 reduction (Reduction of power usage through solar power generation and energy saving efforts)	71.6(t-CO ₂)
Amount of waste used effectively (Amount of recycled, reused, and valuable resources)	210.5(t)
Reduction of IPA use	0.6(t)

Environmental conservation effect (economic effect)

(Unit: ¥ thousand)

Item	Effect (amount)
Power usage reduction	2,304
Reduction of waste disposal cost through the recovery of valuable resources	0
Proceeds from sales of valuable resources	10,174
Total	12,477

*Economic effect based on assumption such as risk avoidance (expected effect) is not posted as an effect.



Environmental investment and cost and its economic effect

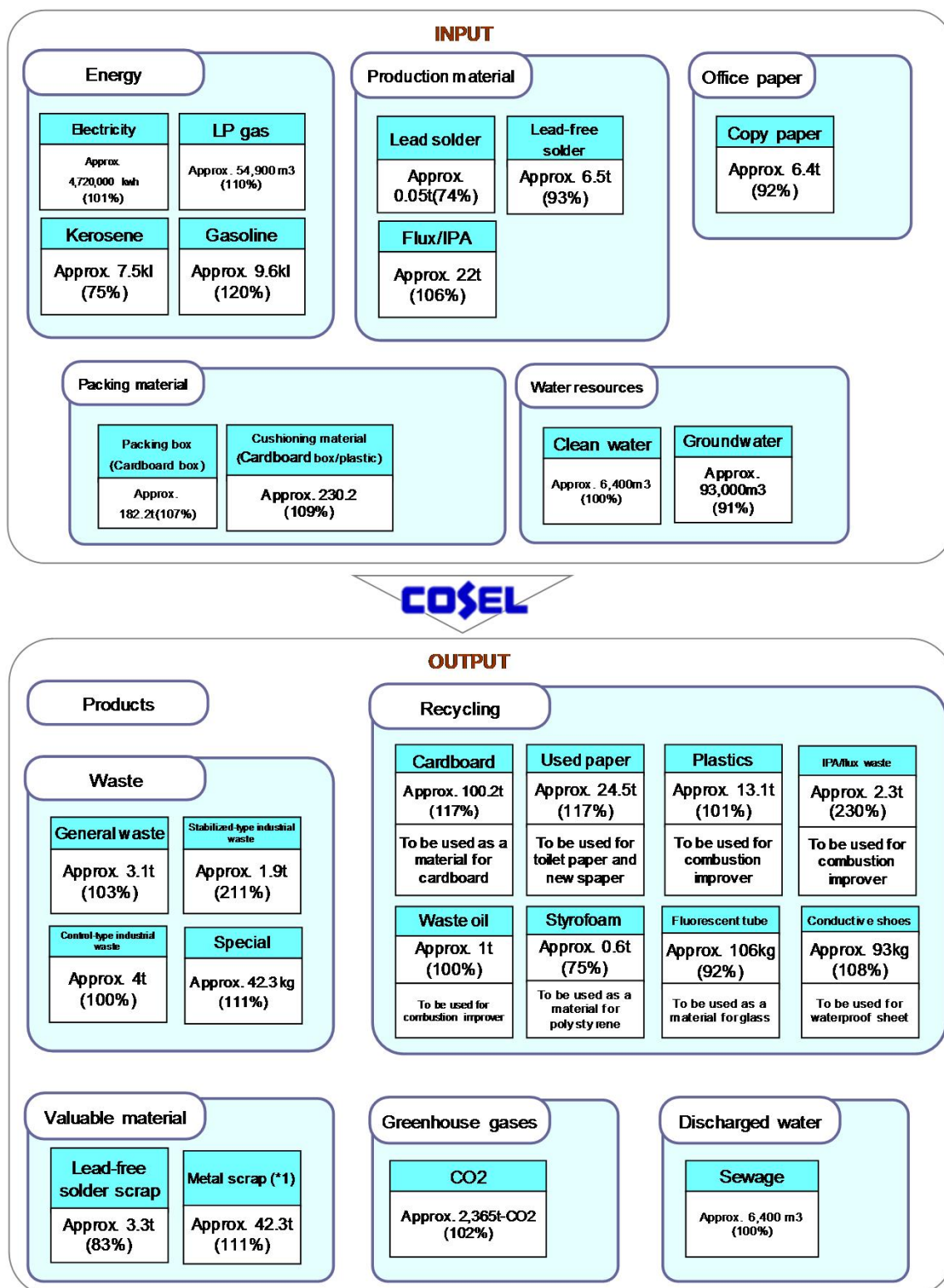
Environmental Burden Data

Amount of environmental burden in 2014

We examine the amount of environmental burden generated from our business activities once a year and utilize the data to control it.

Period: Jan 2014-Dec 2014

() means the year-on-year changes.



(*1) Started to be handled as a valuable resource, not as a metal to be recycled from November 2008

Environmental Education

At Cosel we offer the following environmental educational programs that are required for environmental management activities.

- 1) General environmental education: All employees working at Head Office Plant/Tateyama Plant
- 2) Education on environmentally-unfriendly chemicals: All employees working at Head Office Plant/Tateyama Plant, temporary workers to whom Cosel continuously entrusts work, all contract manufacturers, logistics contractors, and repair contractors
- 3) Special environmental education: Workers engaging in the covered work

Environmental education for new employees is incorporated into the training program, so they participate in immediately after joining the company.












List of courses of special environmental education

No.	Work	Description of education	Target
1	Soldering work	Method for solder scrap disposal	Workers engaging in soldering work
		Inspection of soldering equipment	Workers handling organic solvent
		Emergency measures	Workers engaging in the relevant work
2	Work relating to disposal of waste solution of organic solvent	Method of storage, use, and disposal of organic solvent	Workers engaging in the relevant work
		Emergency measures	Workers engaging in the relevant work
3	Office work relating to industrial waste	Management of industrial waste management slips (manifests)	Workers engaging in the relevant work
4	Confirmation of changes in environmental laws and regulations and evaluation of compliance with them	How to confirm changes in environmental laws and regulations and evaluate compliance with them	Workers engaging in the relevant work
5	Supervision of nitrogen gas charging	Inspection when supervising nitrogen gas charging	Workers engaging in the relevant work
		Daily inspection	Workers engaging in the relevant work
6	Management of chemicals and hazardous substances	Management method based on internal rules	Workers engaging in the relevant work

Number of Employees With Environment-Related Qualifications and Certifications

At Cosel, we are working hard to encourage employees to acquire environment-related qualifications and increase the number of employees with qualifications. The number of employees who have environment-related qualifications is as follows.

Number of employees with environment-related qualifications

No.	Name of qualification	No. of qualified employees
1	Hazardous Materials Security Superintendent	1 
2	Class A Hazardous Materials Engineer	16 
3	Class B Hazardous Materials Engineer	7 
4	Operations Chief of Lead	5 
5	Operations Chief of Organic Solvent	10 
6	Special Control-type Industrial Waste Manager	4 
7	Class-1 Health Officer	9 
8	Safety Officer	2 
9	Fire Prevention Manager	6 
10	Eco Test	69 
11	ISO Internal Environment Auditor (qualified internally)	19 

 10  1

Enhancement of Environmental Awareness

Visit to a waste collection and intermediate treatment service company

In November 2014, we visited the company in order to learn the details of treatment work and the outline of the processes. It is the company that we entrust the collection and intermediate treatment of our recyclable metal waste.

We learned that waste is disintegrated by humans as far as possible and then each part is crushed into small pieces by a scrap handling machines called guillotine shears, crushers, and plasma cutters. After that, the company transports the treated waste to the recycling company.



Separation of PET bottles

Containers dedicated for PET bottle disposal are placed by the vending machines so that the labels, caps, and bottles can be separately disposed of.

We strive to raise employees' environmental awareness through ecological activities capable of being carried out easily by them.



Promotion of application for Eco Test

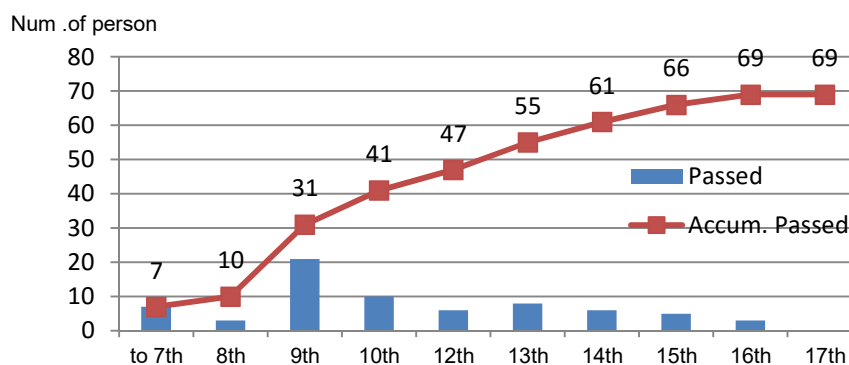
"Eco Test (Certification Test for Environmental Specialists)" is a certification test held by the Tokyo Chamber of Commerce and Industry. There are mainly two purposes for the test: One is to promote a sustainable society where an ideal balance between the environment and the economy is achieved. The other is to develop human resources that take the initiative in tackling environmental problems in society by utilizing a wide range of knowledge.

We have kept taking the Eco Test since the 6th test and 69 employees have passed so far.

We encourage our employees to take the Eco Test by subsidizing part of the examination fee and applying a reward system to those who pass.

In 2015, we add the number of employees who pass the Eco Test as a cross-functional environmental policy management item and aim to further enhance employees' environmental awareness.

No. of employees who have passed the Eco Test



Organizational Governance

Corporate governance

Corporate governance system

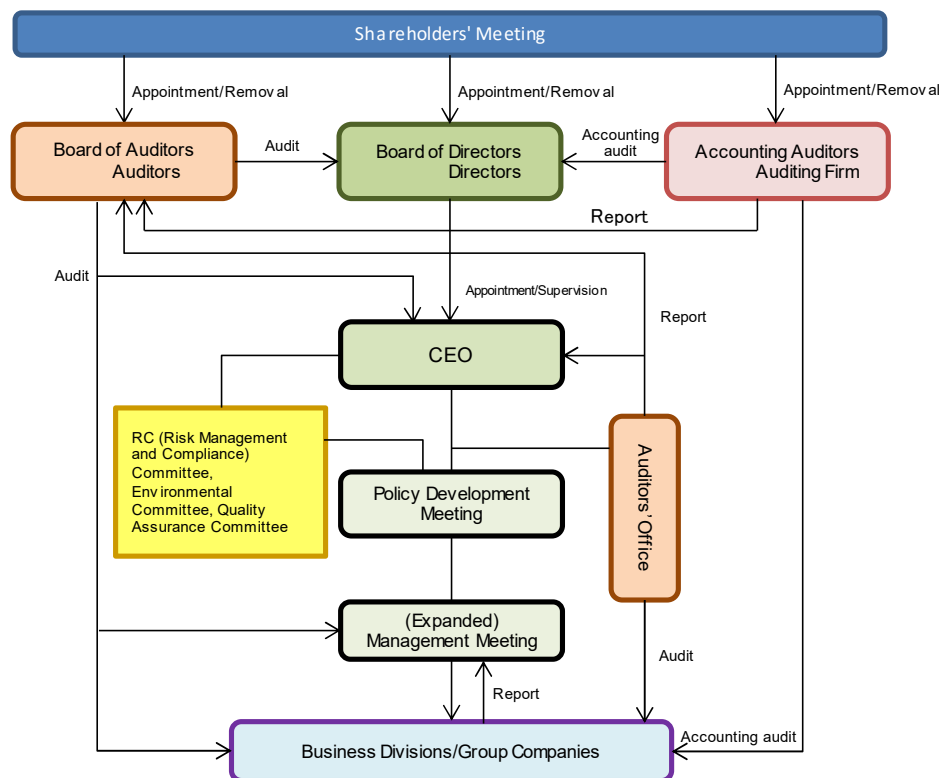
We consider corporate governance as one of the most important business challenges. We are working hard to improve our management efficiency to become a company which lives up to the trust and expectations of various stakeholders. We have adopted the Corporate Auditor System to facilitate management monitoring and compliance with laws and regulations.

Two of our three auditors are external auditors as specified in paragraph 16, Article 2 of the Companies Act.

Currently, there is no section to support our external auditors. However, information is conveyed to our external auditors at our monthly board of auditors meeting.

An external director will be appointed at the 46th annual shareholders meeting which will be held on August 11, 2015, with the aim of strengthening corporate governance.

Outline of the corporate governance system



[Board of Directors]

The board of directors makes decisions on matters required by laws, regulations and the articles of incorporation, as well as management policies and business operations. The board supervises the execution of duties by the CEO.

The board of directors is comprised of nine directors. The meetings of the board of directors are usually held once a month.

Directors execute businesses in their area of responsibility under the direction of the CEO based on the management policies determined in meetings of the board of directors.

[Board of Auditors]

The board of auditors is comprised of three auditors; one full-time auditor and two external auditors (one of them is an attorney). They attend meetings of the board of directors and other meetings and conduct audits of the execution of duties by directors.

[Auditors' Office]

Auditors' Office (one person) which is under the direct control of the president is established to enhance internal control functions in collaboration with auditors, the board of auditors and accounting auditors.

Security

Information security

Basic policy for information security

As a company manufacturing and selling switching power supplies and noise filters, we consider it is our social responsibility to protect the information assets we possess including those of our clients. We hereby establish the basic policy for information security and declare that we will follow it.

1. We will establish a system to promote information security to manage it properly.
2. We will provide education necessary to ensure information security.
3. We will introduce proper management measures and work hard to prevent information security incidents and accidents from occurring.
4. In cases where information security incidents or accidents occur, we will promptly investigate the cause and work hard to minimize damage and prevent reoccurrence.
5. We will comply with laws and regulations, national guidelines, and other social norms relating to information security.
6. All employees shall comply with rules and regulations relating to information security and we will take punitive measures against those who violate them in accordance with our internal rules and regulations.
7. We will develop and implement internal rules and regulations in accordance with this basic policy.
8. We will maintain the activities mentioned above and strive to improve them continuously.

BCP (Business Continuity Plan)

BCP efforts

We launched the BCP (Business Continuity Plan) project after the Great East Japan Earthquake that occurred in March 2011 to establish a disaster response system and procedures for initial response and business resumption.

We have taken earthquake-resistant measures for production facilities and inspection devices that are used at the plants of the Cosel Group and established a framework where the information system can be backed up and the core system can run safely in the event of a disaster.

We also conduct not only fire evacuation exercises, but also earthquake evacuation exercises so that our employees will not be affected when a disaster occurs

Development of BCP in the supply chain

BCP efforts were made by the Cosel Group alone until 2014. However, we plan to work on BCM (Business Continuity Management) across the supply chain and have already started to investigate the implementation status of BCP by our suppliers (component manufacturers.)

Information Disclosure and IR

Profit return to shareholders

Dividend distribution policy

Having made it our basic policy to stably and actively return profits to our shareholders mainly by paying dividends, we aim to achieve an annual dividend payout ratio of more than 35% (on a consolidated basis).

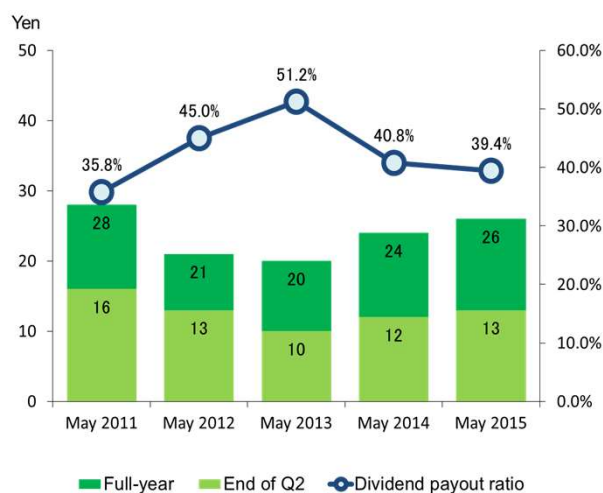
We acquired approx. 1.5 million treasury shares (approx. 2.05 billion yen) in the 46th term. We are planning to acquire treasury shares regularly after the 47th term and set the goal of achieving a total return ratio of more than 70% in this term.

Trend of dividend payment

The trends of dividend payment per share and dividend payout ratio are shown on the right.

Since 2013, dividends have been gradually increasing.

Dividend per share and dividend payout ratio



Disclosure of IR information

We strive not only to comply with laws and regulations relating to securities trading and the Timely Disclosure Rules established by the Tokyo Stock Exchange, but also to actively disclose information that we consider it might influence the investment decisions of investors.

We issue press releases and post the latest information and various disclosure documents on our website accordingly.

Communication with our shareholders and investors

In order to disclose information on our business strategies and performance to our shareholders, investors, and securities analysts accurately and fairly in a timely manner, we not only hold results briefings twice a year (at the end of a fiscal year and at the time of settlement for the second quarter) in Toyama and Tokyo, but also conduct IR activities by visiting them quarterly and hold telephone conferences with them on an as-needed basis.

Respect for Human Rights

Consideration for human rights

Prohibition of harassment

We respect the human rights of all and work hard to create a workplace free of discrimination against sex, age, disability, or other status where the dignity of individuals is not violated. Cosel's Standards for Voluntary Actions specify that "we will never commit sexual harassment in any way" and "we will never engage in any behavior outside the proper scope of business that slanders the personality or violates the dignity of the person or commit harassment (power harassment) by taking advantage of a superior position of power."

We offer all employees anti-harassment education to raise awareness about harassment in the annual compliance education program.

Contact points for consultation

At Cosel, we have established contact points that receive consultations on whether or not certain behavior violates laws and regulations and reports from employees to give them advice and solve problems. In addition, our internal rules and regulations specify that reporters should not receive any disadvantageous treatment and any information given by them should be kept confidential.

We will work hard to strengthen our reporting system by notifying all employees of the contact points for reporting and improving advisors' skills.

▼3つの通報ルート **COSEL**

1 職制ルート	通常はこのルートで受付を行います。
2 総務担当部門ルート	直接総務担当部長宛の通報ルートです。
3 ヘルプラインルート	裏面の通報ルートです。(匿名受付OK)

通報制度は、次のことを遵守します。

誠実かつ正当な目的で情報を提供した従業員に対し、情報提供を理由に不利な扱いをしません。

当制度を通じての情報(相談)に対し、迅速・適切に対応します。

情報(相談)内容は、客観的事実に基づく、または信じるに足りる情報に基づいていることを前提にします。

証拠の提出は必要ありませんが、感情や憶測に基づいた誹謗中傷行為は禁止します。

通報者から要望があれば、通報者本人に審査結果をお知らせします。

受理された情報(相談)は、事実調査の上、総務担当部門で審査いたします。

Relationship with the Labor Union

Cosel has entered into a collective agreement with the Cosel Labor Union, the organization of which our employees have become members to maintain and improve working conditions. We hold labor-management consultative meetings regularly to maintain healthy labor-management relations.

Prohibition of forced labor and child labor

We prohibit forced labor where employees are forced to work against their will and the employment of children under the minimum age for employment.

Respect for Diversity

Employment of people with disabilities

Cosel is widely open to people with disabilities.

We can offer an environment where they can find a fulfilling job to do and work hard depending on their disabilities and skills.

We hope non-disabled employees will deepen their understanding of people with disabilities by working with them and improve their awareness of respect for human rights.

Employment of elderly people

With the revision of the Act on Stabilization of Employment of Elderly Persons, Cosel introduced a reemployment system for people who have mandatorily retired.

We continue to employ older workers under fair conditions depending on the roles and responsibilities they should take after mandatory retirement in consideration of their work experience before reemployment and offer them a workplace where they can play a more active role utilizing their acquired skills and expertise.

Since 2014, we have been providing career training for employees 53 years older or over to motivate them to develop their career in consideration of the age limit system for managerial personnel, the extension of mandatory retirement age, and continued employment and foster their willingness to take on challenges. In the training program, we teach them the pension plan, retirement benefit system, and reemployment system to raise their awareness before they reach the age of retirement.

Women-friendly workplace

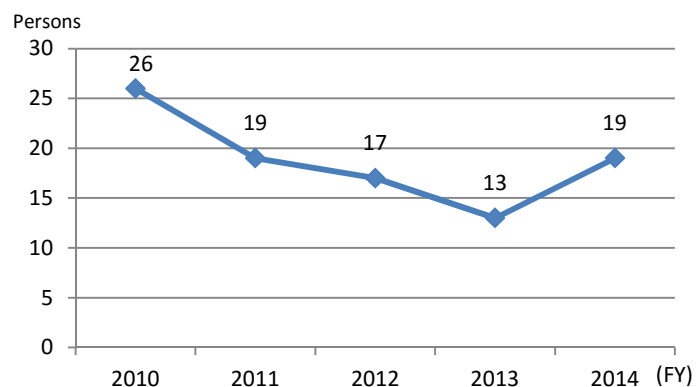
We have introduced and are promoting the following systems in accordance with laws such as the Labor Standards Act and the Child Care and Family Care Leave Law to create a women-friendly workplace.

[System for Maternity Leave Before or After Childbirth and Child Care Leave]

Maternity leave before or after childbirth and child care leave are specified in our internal rules.

[Short-time Working System for Child Care]

We employ and promote a system where employees rearing a child in the sixth grade and under in elementary school (as of the end of March of the year) are allowed to work shorter hours in accordance with the flextime system.



Number of users of the Short-time Working System for Child Care

[Sick/Injured Child Care Leave]

Aside from annual paid leave, employees rearing a child in the sixth grade and under in elementary school are allowed to obtain leave to look after said child in the event of injury or sickness or take said child for vaccinations or health check-ups.

Working Practice

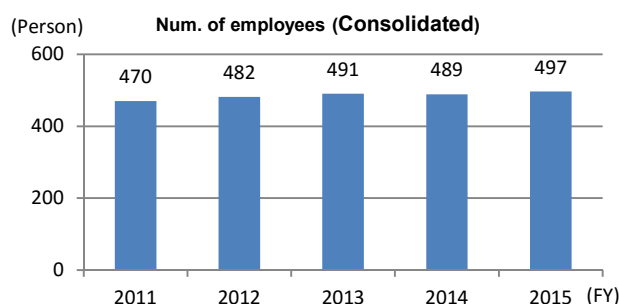
Stabilization of employment

Communication with labor and management

We hold labor-management consultative meetings regularly to disclose to the labor union information about working conditions, the details of the discussions on various systems including the personnel system, worker attendance, measures to secure the health and welfare of workers, the status of complaint processing, and the details of the report to the Chief of the Labor Standards Office.

Changes in the number of employees

The number of employees has increased by 27 in the last 5 years due to high demand.



Promotion of work-life balance

Leave Systems

We have introduced the following leave systems to promote employees' work-life balance.

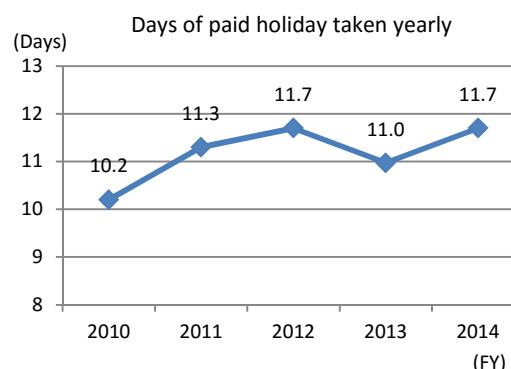
■ Family care leave

Employees caring for a family member in need of nursing care are allowed to obtain family care leave in accordance with the terms and conditions of the system.

■ Promotion of use of planned paid leave

We encourage our employees to take paid leave by requiring them to take 2 days' paid leave out of their annual paid leave entitlement on a semiannual basis as specified by our internal rules.

We hope our employees can achieve a good balance between work and family life, work on self-development, and refresh themselves by working efficiently, communicating with their superiors and colleagues, and taking leave in a planned manner.



■ Refreshment leave

Employees are allowed to take refreshment leave days in the milestone year of their service with Cosel depending on length of their service to refresh their bodies and minds (recognition of service, maintenance and enhancement of health, and improvement of family life.)

Consideration for working hours

[Flextime system]

We employ a flextime system so that our employees can work efficiently while balancing their work and personal lives.

[Designation of the no-overtime-work day]

We have designated Wednesdays as no-overtime-work days to encourage our employees to make time for hobbies, after-work lessons, and spending time with family by leaving the office without working overtime.

Human Resource Development

Cultivation of self-development skills

As a work on human resource development, we have established a system to support every employee in their self-development based on our education philosophy and policy. Our management philosophy specifies that “We develop human resources with the ability to conduct quality control, advanced technical skills, and good personalities that serve as an engine for business expansion based on our educational policy.” We have established the following basic educational policy.

1. Revitalize the workplace.
2. Enhance leadership.
3. Absorb required knowledge and techniques and improve skills.
4. Develop skills to operate and maintain an appropriate quality system.
5. Recognize the necessity of the environmental management system and develop skills to operate and maintain it.

Education of human resources

Employees take various educational courses to achieve the basic educational policy goals and develop their personality and skills while challenging each other.

Category/System of education by level

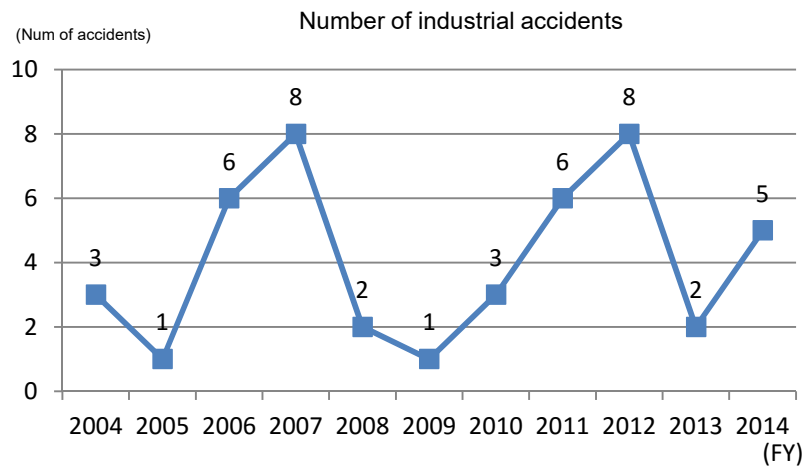
Category		New employee	Younger employee	Mid-career employee	Group leader	Management
Career education		Career training (The first year and the fourth year of employment, age of 30s, 40s, and 50s)				
Education to develop abilities to promote business	Department professional education	Education by each department				
	Department basic education	Technical training for new employees				
	Company-wide basic education	Language education/environmental education/QC education				
Education to develop management and leadership abilities			Management training by level			
Education to develop organizational capacities and human qualities		Education of new employees				
		Company-wide lecture meeting/Compliance education				

Safety and Health

Industrial health and safety

In accordance with the Industrial Safety and Health Act, a Safety and Health Committee is established at every plant in Japan to engage in activities relating to safety and health. Committee members are recruited from each department and make efforts to solve problems relating to safety and health such as disaster prevention, the improvement of work environments, and the correction and improvement of issues relating to health and hygiene.

Safety and Health Committees carry out safety and health patrols. When a nonconformity is found, committees prevent industrial accidents from occurring by submitting a recommendation report and correcting the nonconformity.



Health management

Excessive workloads such as extremely long working hours may exacerbate health problems such as cerebrovascular disease and cardiac disease.

At Cosel, employees who exceed the limit of overtime work (those whose average monthly overtime hours for the last 2 months exceed 70 hours and those who work more than 100 hours of overtime in a month) are required to consult an industrial physician, and those whose average monthly overtime hours for the last 2 months exceed 45 hours can consult an industrial physician by making an application.

We are making these efforts to prevent health problems caused by work.

Fair Business Practice

Risk compliance

Risk management

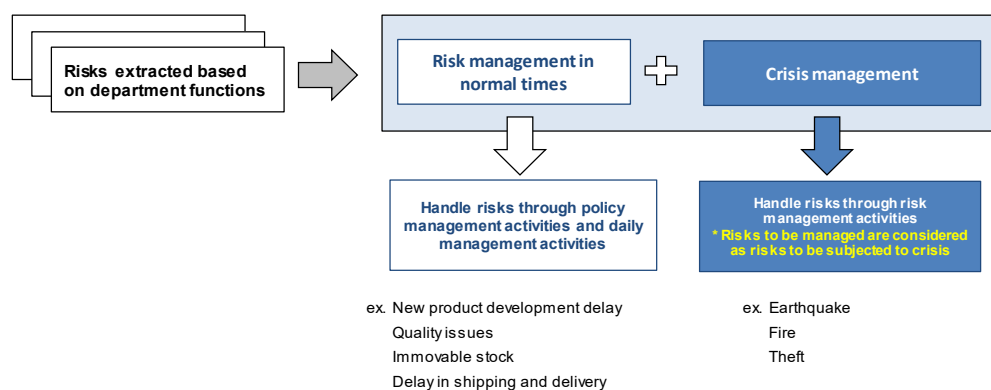
We have established risk management regulations and categorized corporate risks as follows.

In normal times, risk management is conducted mainly by each department. In this case, risk management is handled as an annual policy management item by department and a daily management item in the policy management activities.

As for risk management for contingencies including disasters, accidents, and fires, the policy for response to crisis situations is set and the highest priority is given to the protection and rescue of human lives and measures to minimize the impact on customers. At the same time, the risk management compliance committee reviews and assesses the risks to be managed and considers and implements countermeasures.

In addition, we have established BCP (Business Continuity Plan) rules and a system to resume business operations as quickly as possible in the case of contingencies.

Outline of risks



Compliance

Giving priority to legal compliance (hereinafter referred to as “compliance”), the Cosel Group has set the Charter on Ethics and Standards for Voluntary Action to be followed by executives and employees of Cosel and our subsidiaries and established the following system to ensure that everyone understands the charter and the standards.

Compliance is a basic part of doing everyday business. In order to make sure our employees understand this, the General Affairs Department engages in the establishment and maintenance of the system, education, and enlightenment activities, with the General Affairs Director serving as the supervisory manager.

The Auditors' Office, the internal auditing organization under the direct control of the president, investigates whether business is conducted in compliance with laws and regulations, the charter, and internal rules and regulations, and reports the results of the investigation to the board of directors and the board of auditors.

The board of directors reviews the compliance system on a regular basis and strives to grasp and improve problems.

Education and enlightenment

At Cosel, we hold an educational program on compliance for all employees once a year.

By offering the program continuously, we aim to raise their awareness about compliance and make them develop compliance-oriented values and attitudes.

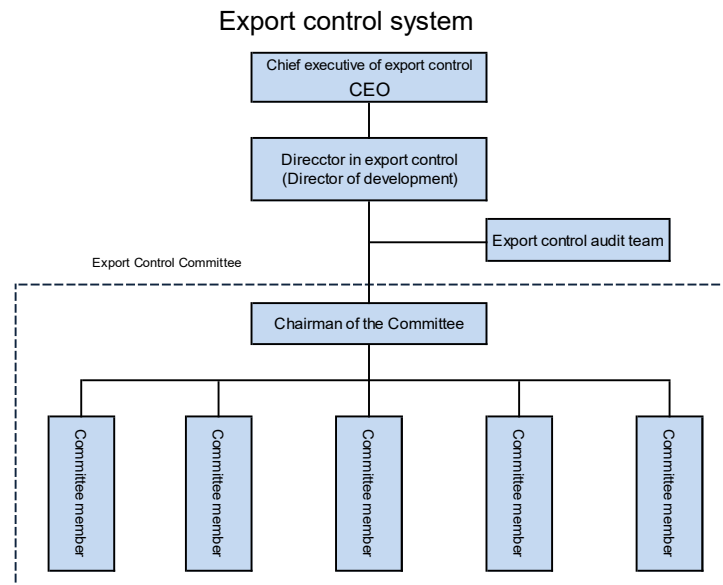


Response to Security Export Control Regulations

Cosel's security export control

While efforts are being made to prevent the global proliferation of weapons of mass destruction and the excessive accumulation of conventional weapons, non-proliferation export control is required and companies are expected to strengthen their voluntary export control.

We have developed internal rules to implement export control and established the export control committee to maintain control. We are working hard on voluntary export control.



Examination of products

In order to prevent products that are subject to control from being exported without permission, we examine all our products based on laws and check whether they are subject to control before exporting them.

Screening examination

We perform screening examinations on customers prior to starting transactions with them in order to prevent transactions with companies or individuals that might be involved in the development or manufacturing of weapons of mass destruction.

Education

We regularly hold an education program for employees in the departments that might engage in export operations.

Report to government ministry

We have established Security Export Control Rules as part of the compliance program (CP) for export control. We investigate whether our business operations are conducted based on CP and report the results to the Ministry of Economy, Trade and Industry.

Responsible political involvement

Cosel's Standards for Voluntary Actions specify that "We take a neutral stance to politicians and political groups and never provide any improper benefits or favors to them." We also comply with the Public Offices Election Act, the Political Fund Control Act and other political laws and regulations and make no contributions or donations to individual politicians as it is prohibited by laws.

Fair Business Practice

Basic attitudes towards procurement

We strive to build a transparent relationship of mutual trust that enables us to thrive and prosper together with our clients from a fair, global perspective in compliance with laws and social norms.

In order to develop superior products that satisfy customers around the world, it is essential to manage the quality of components and materials we purchase, delivery time and costs, and take the environment into consideration.

To this end, we deepen mutual understanding with our clients in our daily business activities and regularly provide them with information concerning quality, delivery time, costs, our management policies, and technology strategies.

We believe it is important for us to improve our partnerships with our clients by maintaining and strengthening such activities.

Request for CSR activities to be conducted by clients

Cosel started CSR (corporate social responsibility) activities in 2015. In order to promote CSR in Cosel as well as in our client companies, we strive to make our clients understand our basic policy for procurement activities.

When our website (English version will be available later) was relaunched in September 2015, we posted "Request to clients" on the website to notify them of our requests concerning environmental conservation, human rights, labor and compliance.

1. Appointment of auditors and auditor-secretaries and implementation of healthy corporate management
2. Respect for human rights
3. Development of a safer workplace and improvement of work-life balance
4. Energy saving, CO2 reduction, and environmental conservation
5. Implementation of ethical actions to society
6. Establishment of a relationship of trust with consumers
7. Social contribution to local residents

Approach to the conflict minerals problem

There are concerns that mineral resources mined in the Democratic Republic of the Congo and 9 neighboring countries are financing armed groups in these regions. In order to address this issue, the Dodd-Frank Act was enacted in July 2010 in the United States and U.S.-listed companies are required to conduct inquiries to determine the refiners of the conflict minerals they use and file a report to the U.S. Securities and Exchange Commission.

We have agreed with the purpose of the Dodd-Frank Act and established the rules for conflict minerals investigation to promote the responsible procurement of minerals. We explain the purpose and necessity of the conflict minerals investigation to our clients and collect information utilizing a CMRT (Conflict Mineral Reporting Template).

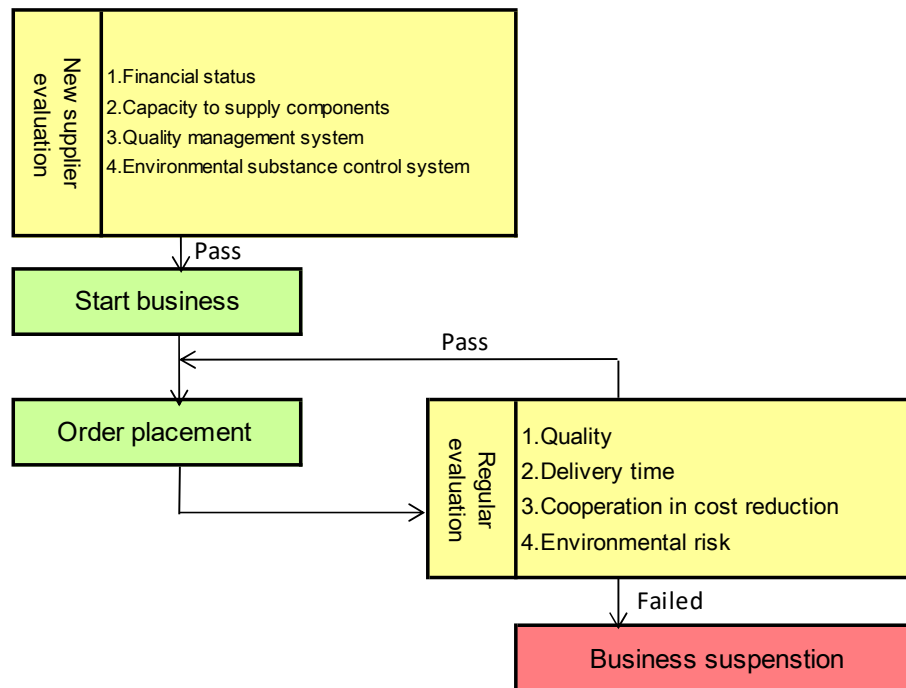
When requested to disclose information on the results of the conflict minerals investigation by customers, we provide information using a CMRT.

Supplier evaluation

When starting business with a new supplier, we conduct supplier evaluation from the perspectives of financial status, capacity to supply components, and quality and environment management systems. From an environmental perspective, we make it a condition that suppliers comply with our Green Procurement Standards.

We also evaluate each supplier in terms of previous year's product quality, supply, cooperation in cost reduction and environmental conservation at the beginning of the fiscal year, and conduct audits of suppliers with a low evaluation.

New supplier evaluation flowchart



Green procurement

In order to deliver environmentally-friendly products to customers, it is important to understand the content of chemicals not only in our products, but also in our suppliers' products and disclose and communicate information smoothly. We are working hard to establish a supply chain-wide system to this end.

Cosel established Green Procurement Standards in 2004 and has been using them as terms of business with our clients. We conduct a regular review to comply with laws and regulations and promote green procurement.

Intellectual property-related activities

Attitudes towards intellectual property

The originality of circuits and structures is an important factor for the competitiveness of the switching power supplies and EMI/EMS filters we manufacture and sell in the market. Advanced technologies to provide such originality are directly linked to product performance and help differentiate our products from others. In order to continue our business activities and contribute to society, we are making constant efforts to develop new technologies. Believing that it is important to secure competitive advantages by registering and protecting the technologies we developed as intellectual properties, we actively apply for patents. To this end, we require people in charge of intellectual properties and development engineers to discuss this in the development process and consider the appropriate application for an intellectual property right.

In our intellectual property-related activities, we place importance on compliance with relevant laws and regulations. We make it a practice to search for relevant patents in the product development process to respect the intellectual property rights of other companies that are based on the purpose of laws and regulations concerning intellectual properties, and prevent our products from violating their rights. We strive to improve the value of our products by entering into a license agreement on valid patents owned by other companies as needed.

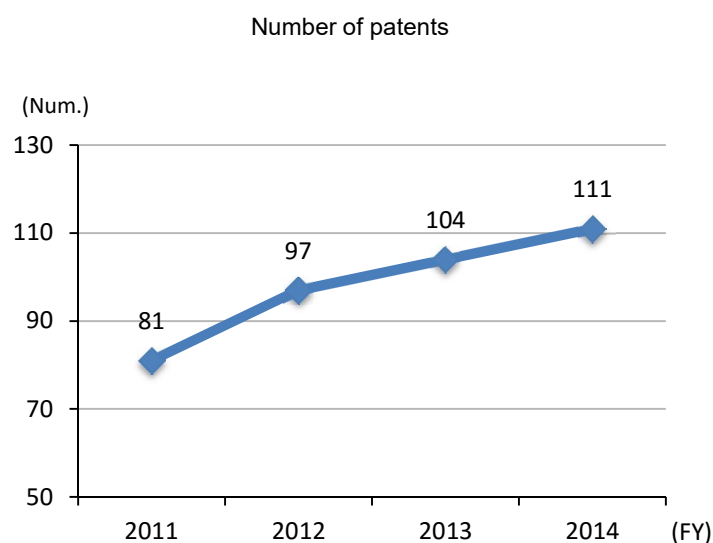
As we believe that it is necessary to motivate our engineers to develop great technologies and acquire intellectual property rights for them, we have established a reward system for inventions to provide rewards to those who acquired intellectual property rights for their inventions based on the status of utilization.

Intellectual property management system

The Intellectual Property Committee is mainly composed of development engineers and conducts activities to acquire and protect intellectual property rights in cooperation with the New Product Development Group, inventors, and outside experts.

We regularly check acquired intellectual property rights for their utilization status and validity to narrow them down to necessary ones and maintain and manage them.

Number of patents



Consumer Affairs

Quality assurance

Quality policy

Based on the Quality Policy, we consider it our mission to offer safe and secure products and services to customers and every employee is working hard on daily operations keeping in mind that every business activity leads to customer satisfaction. Such efforts are being made in all processes: product planning, development and product design, to manufacturing, shipment, and maintenance service.

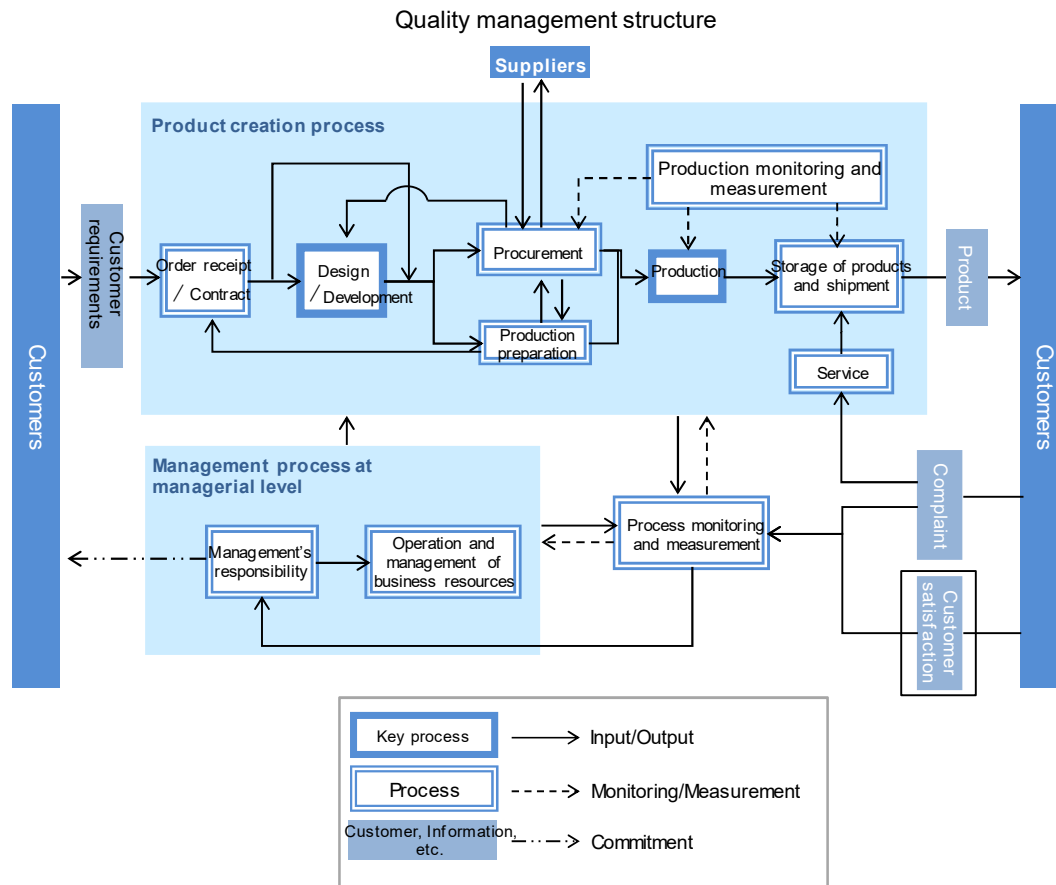
Quality policy

Creating Products and Services that Earn the Trust of Customers

Quality management system

Quality management framework

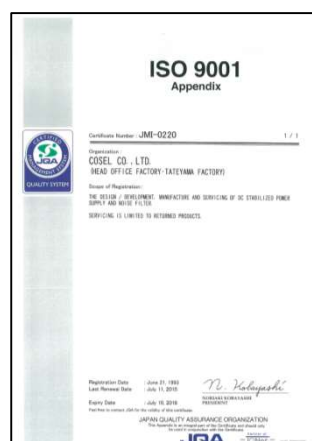
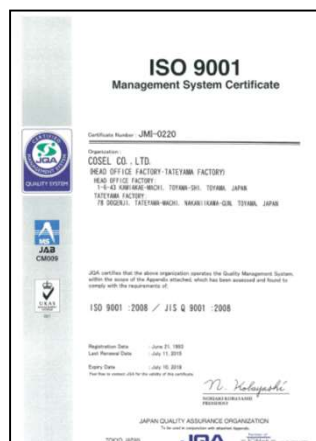
The chart below describes flows, relations, and related groups that our quality management system requires.



ISO9001 certificate

We have acquired ISO9001 certification and established the quality management system to implement thorough quality management.

We will work hard to further improve product quality and customer satisfaction.



Date of Acquisition:
June 21, 1993

Area Covered:
Head Office and Plant/Tateyama Plant

Registered by:
Japan Quality Assurance Organization

Quality assurance system

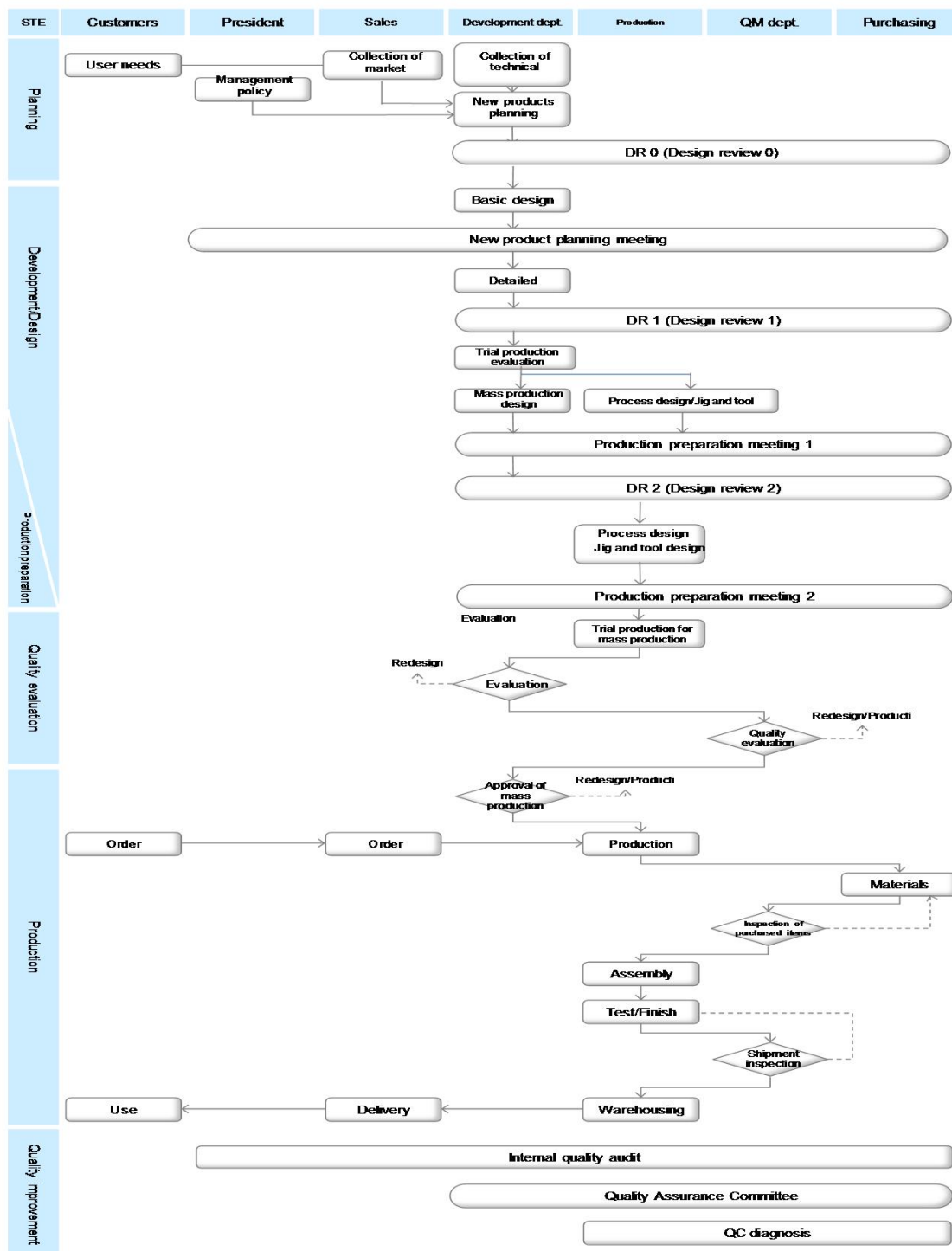
In order to ensure the implementation and maintenance of various processes, the quality management system has been established with the manager of the quality management department as the quality management supervisor.

We have established the quality assurance system by defining basic requirements in the processes from product planning, development and quality evaluation, to mass production, shipment and service, defining these requirements in the quality manual and developing and documenting the rules in each step in order to provide products that meet customer needs in a more timely manner.

Cosel's quality assurance structure is shown below.

We are striving to solve quality issues by holding regular meetings. The quality management supervisor and managers of the development department, production department, and quality management department attend the meeting and make efforts to reduce quality-related problems.

Quality assurance structure



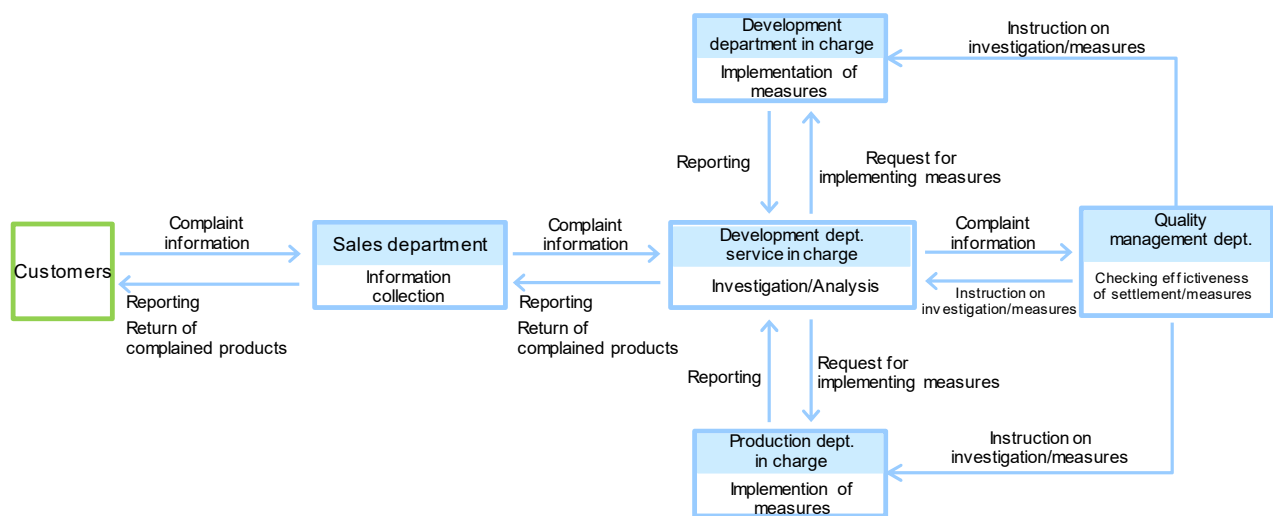
Measures to be taken in case of quality problems

When failures occur, our technical staff members deal with them promptly and accurately. We provide maintenance services such as failure analysis, repair, and overhaul when defects or failures occur in the field or within processes.

In case of defects, we always ask customers about the situation and environment where defective products are used and accumulate such information. By using accumulated data of past instances, we work hard to investigate the cause and fix defects as soon as possible.

In addition, we analyze the defects of products returned from the market and provide feedback to the product development site and the production site. Then we implement the PDCA cycle for improvement from a customer perspective. By doing so, we strive to improve product quality and strengthen our services so that they can satisfy customers.

Structure of response to quality issues and roles of each department



Customer care and service

System of customer care and service

We provide technical support service available by toll-free phone and contact form on the website and our dedicated support staff members do their best to respond to inquiries from our customers quickly and accurately.

We also provide a wide range of services such as visiting to customers and product evaluation at our facilities with customers present, as well as technical consultation.

We have stored the details of more than 100,000 technical consultations we received in a database to utilize such data to improve products and services.

We also strive to improve them by collecting complaint information, performing customer satisfaction surveys, and continuously examining and analyzing customer feedback.



Protection of customer information

Cosel's Standards for Voluntary Actions specify that "we will never leak confidential information without good reason."

We properly handle the information we receive from our customers and never leak those pieces of information.

Community Involvement and Development

Activities to contribute to society

Education

[JEITA Toyama Monozukuri Class]

Cosel is a member of JEITA (Japan Electronics and Information Technology Industries Association). The JEITA Monozukuri Class is held every year as a regional event in Toyama. We have participated in the class since the 1st class and send some employees as instructors to give advice to children.

The 7th JEITA Toyama Monozukuri Class was held at Hokuriku Electric Industry (Osawano-machi, Toyama City) on May 31, 2014, and was attended by 33 fifth and sixth graders from elementary schools in the region. They worked on electronic handicrafts under the theme of "Let's make electronic organs."



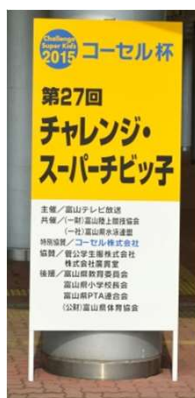
Support for sports activities

[Cosel Cup Challenge Super Kids]

We co-sponsor a sports competition with a local broadcasting station and the event celebrated its 27th anniversary this year.

On April 29, 2015, 324 elementary school students from 4th grade to 6th grade (165 boys and 159 girls) participated in 5 events; the 100-meter run, ball throwing, long-jump, zigzag dribbling, and swimming.

Thanks to cheers from families and friends, a new meet record was established in the zigzag dribbling event this year.



Internships

Internships are an opportunity for students to feel and learn about the working world, companies, and what it's like to be a member of society before entering a company through work experience in an actual workplace.

At Cosel, we ask interns to engage in operations relating to design and development such as the evaluation of power supplies, the design and manufacturing of test jigs, and design using 3D-CAD.

Blood donation

As the falling birth rate and the aging of society are advancing, the number of senior citizens who need blood transfusions has been increasing, while the number of young people who can donate blood has been decreasing, which causes a shortage of blood nationwide.

We conduct a blood donation campaign for employees every year and support the Japanese Red Cross Society Blood Center. In 2015, many employees participated in the campaign.



Fund-raising

We donate the proceeds from an annual company bazaar and the money collected from employees to the Community Chest of Toyama.

The donated money will be used for activities conducted by the municipal social welfare council such as its home welfare service business, volunteer development business, preventing children from getting involved in accidents, and the healthy growth of young people.

Participation in industrial associations

We have become a member of the following industrial associations inside and outside of Toyama and are working hard to solve various problems in our committees.

- Union of Japanese Scientists and Engineers
- JEITA (Japan Electronics and Information Technology Industries Association)
- Japan Management Association
- Japanese Society for Quality Control
- QC Circle Toyama Section Hokuriku Branch
- Toyama Employer's Association
- Toyama Prefectural Machinery and Electronic Industries Association
- Toyama Association of Corporate Executives
- Toyama New Industry Organization
- Society for Young Engineer Development
- Toyama Technology Exchange Club
- Toyama Society for the Promotion of Technical Education
- Society for Promotion of Exchange, Center for Joint Research, University of Toyama
- Society for Research Collaboration, Toyama Prefectural University
- Society for Technology Promotion, Toyama National College of Technology



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